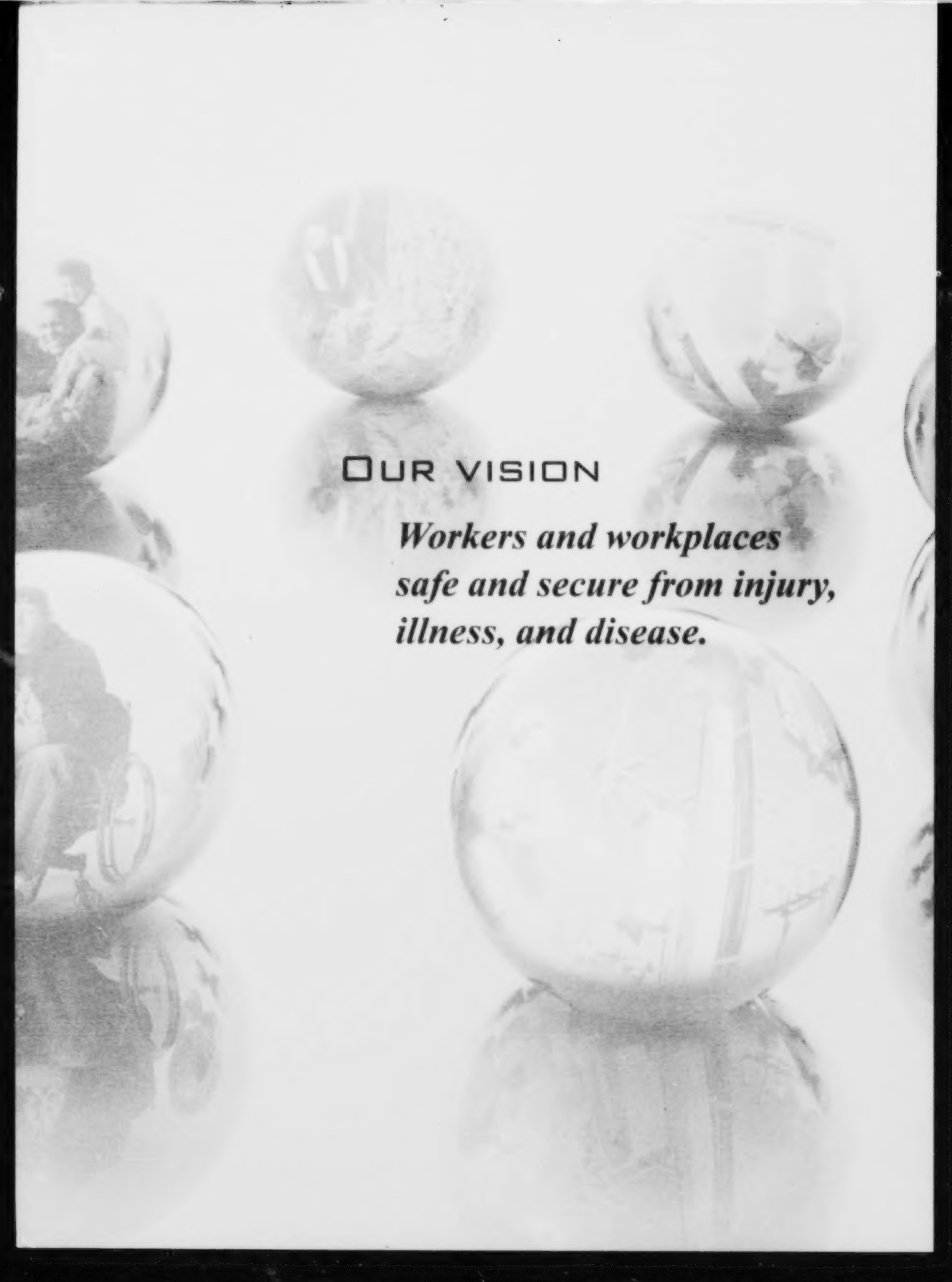
DEMAND SAFETY

2006 Annual Report and 2007–2009 Service Plan

WorkSafeBC



Our Vision

Workers and workplaces safe and secure from injury, illness, and disease.

Strategic Foundations of WorkSafeBC

Our mandate

Workers' compensation in B.C. is founded on the principle of mutual protection. This principle arose from a historic compromise in which workers relinquished their right to sue their employers and, in exchange, employers agreed to fund a no-fault insurance system.

The British Columbia *Workers Compensation Act* enshrined this historic compromise and created WorkSafeBC (the Workers' Compensation Board of British Columbia). WorkSafeBC is an independent agency governed by a Board of Directors appointed by government. It is WorkSafeBC's mandate to work with workers and employers to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and assist with timely return to work
- Provide fair compensation to replace lost wages for injured workers during their recovery
- Ensure sound financial management for a viable workers' compensation system

Our commitment

To make a difference, one human being at a time.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship, now and in the future

Our guiding principles and premises

We, the officers and agents of WorkSafeBC, believe that:

- We must focus on our mandate, which includes prevention, rehabilitation, and compensation.
- We must promote healthy and safe workplaces through enforcement, consultation, and education.
- We can be most effective when we enlist the co-operation of workers and employers in preventing workplace injury, illness, disease, and death.
- Societal change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- When a worker is injured, our priority must be that worker's rehabilitation and return to work.
- We must be driven by a service orientation that is attained through the effective delivery of WorkSafeBC programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the B.C. government.

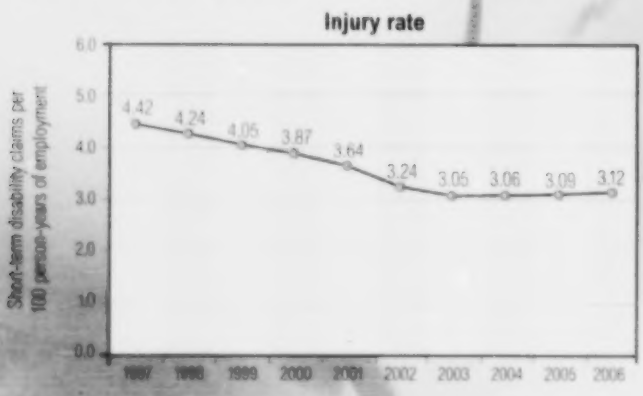
To fulfill its mandate, WorkSafeBC is enabled by:

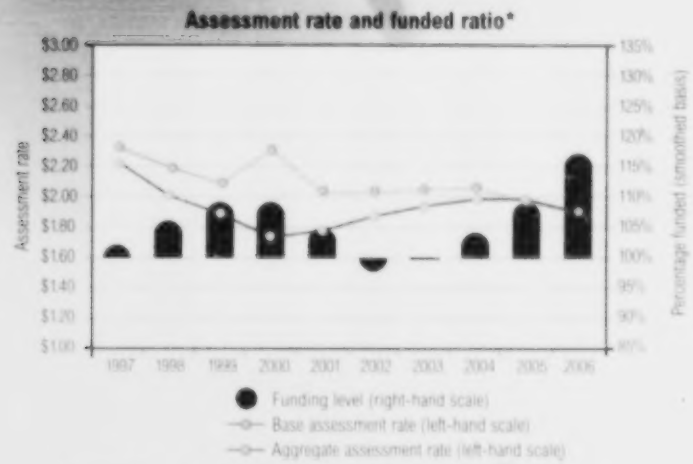
- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Our service

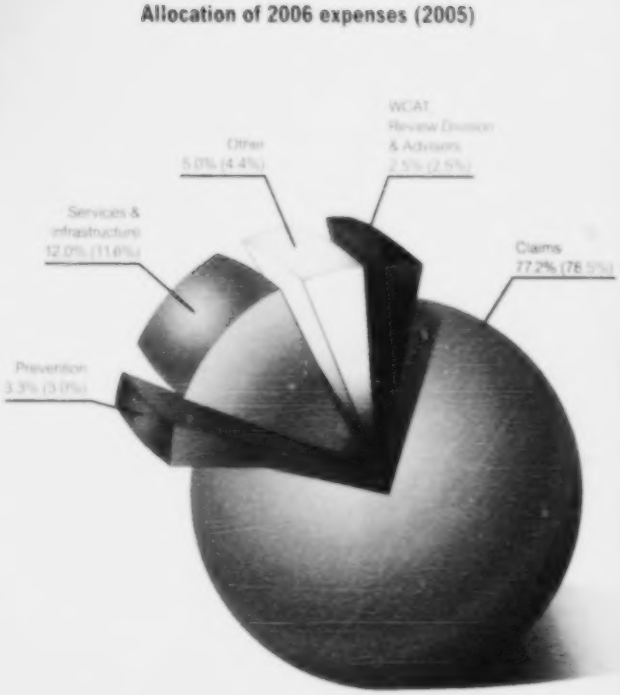
WorkSafeBC is an independent statutory agency that serves 2.2 million workers and approximately 183,000 employers throughout B.C. It is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government; however, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Operational Highlights





*WPIB rates have had a slight upward bias in the past five years. They reflect the restructuring and recovery arising from a period of financial weakness in 2002 and 2003. The rates in effect in 2007 are the lowest in 20 years.



Key financial comparatives ($ millions)	2006 actual (fair value)	2005 actual (fair value)	2006 actual (smoothed)	2005 actual (smoothed)
Premium income	1,267	1,240	1,267	1,240
Investment income	1,178	632	871	623
Claim costs	1,125[a]	1,266	1,125[a]	1,266
Operating costs (net[b])	148	132	148	132
Surplus before non-recurring expense	1,172	474	865	465
Non-recurring expense	185	—	185	—
Surplus from operations	987	474	680	465
Other comprehensive (loss) income	(16)	493	—	—
Total comprehensive income	971	967	680	465
Total assets	12,186	11,045	10,477	9,626
Total liabilities	8,978	8,808	8,978	8,808
Unappropriated balance	1,277	690	659	378
Reserves	840	440	840	440
Accumulated other comprehensive income	1,091	1,107	—	—
Marked rate of return on investment	11.6%	12.5%	—	—
Accounting rate of return on investment	—	—	9.4%	7.2%
Funding level	136%	125%	117%	109%

a Excludes claim costs stemming from the 2006 Supreme Court decision on benefit eligibility (see page 8).
b Net of claim administration payments: 2006: $183 million; 2005: $169 million.
c Costs stemming from the 2006 Supreme Court decision on benefit eligibility (see page 8).

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Message from the Chair

Safety is a shared responsibility

In recent years, I have often spoken of the importance of the workers' compensation system and the function of WorkSafeBC in society. WorkSafeBC is an organization whose work affects the lives of people across the province — workers, their families, co-workers, employers, caregivers, and communities. At WorkSafeBC, we are committed to fulfilling our regulatory, enforcement, and claim management mandate, and to being a catalyst for change through education and awareness raising. Ultimately, however, it is employers and workers who are responsible for workplace safety. Safety is a shared responsibility and a right — a right we should all demand for ourselves, our families, our co-workers, and our employers.

Looking back

In the past year, employers, workers, and WorkSafeBC responded to the horrendous number of workplace deaths that occurred in 2005. WorkSafeBC responded operationally through a renewed focus on enforcement and targeted compliance strategies, which, together with the combined efforts of all stakeholders, we believe contributed to a significant decrease in the number of workplace fatalities, especially in the forestry sector.

While specific successes and challenges experienced in 2006 are described in detail in the Message from the President (see page 6) and throughout this annual report, I would like to highlight the relative stability of the injury rate in spite of a fast-growing economy, improvements to customer service, the introduction of an evaluative mechanism for proposed regulatory amendments, and a strong financial performance which has helped to maintain low employer premium rates. Those rates, in turn, help to ensure the long-term sustainability of the workers' compensation system in British Columbia.

Stewardship

The Board of Directors and Senior Executive Committee at WorkSafeBC continue to be vigilant and proactive in our stewardship of the workers' compensation system. In recent years, we've been able to report strong investment returns and full funding status. In 2006, WorkSafeBC achieved a surplus of $987 million. This puts our smoothed funding ratio at 117 percent — meaning we have sufficient reserves to meet current and future costs of existing claims with a safety margin to offset financial market risks and future volatility. While we have enjoyed a period of market stability, there will undoubtedly be periods of instability in the future. However, our strong financial position today will provide substantial protection from future negative fluctuations, help to maintain stable rates for employers in future years, and ensure we can continue meeting our financial obligations to injured workers.

Looking ahead

The Board of Directors of WorkSafeBC has a responsibility to continually evaluate the effectiveness of the organization. WorkSafeBC has gone through significant changes in recent years — legislative, structural, and even philosophical. We asked ourselves these questions: Are we a world leader in our business of prevention and enforcement? Are we serving our customers well? Is there anything we can learn from other jurisdictions in Canada and around the world?

To address these questions, the Board of Directors has commissioned a research study that will help us measure WorkSafeBC's overall effectiveness and consider what's working here and in other jurisdictions. This study, which should be completed by mid-2007, will look at why some jurisdictions appear to have lower injury rates than B.C., and how we can enhance and improve the province's occupational injury and disease prevention system to facilitate a consistent and sustained reduction in the injury rate. This initiative is part of the Board of Directors' responsibility to challenge the status quo and enable WorkSafeBC to work with employers and workers to create safe and healthy workplaces in British Columbia.

Our people

On behalf of the Board of Directors, I would like to thank WorkSafeBC staff for their tremendous hard work and achievements in 2006, and the Senior Executive Committee for their leadership and dedication. A committed workforce is crucial to the success of WorkSafeBC's mission to serve the employers and workers of British Columbia. And, as always, I would like to thank the broader community — workers, employers, industry associations, and labour organizations — for their ongoing contributions to the prevention of injury, illness, disease, and death in B.C. workplaces.

Douglas Enns, FCA, C.Dir.
Chair
WorkSafeBC

About WorkSafeBC

Protecting workers and employers since 1917

In some jurisdictions around the world, workers can sue their employers for damages if they suffer work-related injuries. That's not the case in British Columbia, thanks to what's known as the historic compromise on which the province's workers' compensation system is founded. In this compromise, workers relinquished their right to sue their employers for injuries, illnesses, and diseases sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system.

While the historic compromise was reached in 1917, it continues to form the basis of workers' compensation in B.C. today.

The historic compromise

> Each class surrenders to the State certain rights…The employer in submitting to the levy…upon his industry receives the benefit of protection from expensive litigation;
>
> The workman in return, though he loses the precarious right to sue in tort for damages, receives…a stipulated amount based upon his economic position in the community.
>
> Both, as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.
>
> — *B.C. Sessional Papers, Volume II, 1914:M13*

Administering the workers' compensation system

WorkSafeBC is a provincial statutory agency dedicated to the reduction — and eventual elimination — of work-related injury, illness, disease, and death in B.C. workplaces, and to easing the physical, financial, and psychological burdens on workers and their families when they do occur.

WorkSafeBC is the operating name of the Workers' Compensation Board of British Columbia. The name conveys the spirit of WorkSafeBC's values and guiding principles, as well as the organization's commitment to prevention, return to work, and customer service.

WorkSafeBC's legislated responsibilities are to establish and enforce occupational health and safety standards; compensate and rehabilitate injured, ill, and disabled workers or provide benefits to their dependants; and assess and collect employer premiums to support and administer the workers' compensation system. To meet these responsibilities and fulfill its strategic goals, WorkSafeBC focuses its operations on the following areas of business.

Preventing workplace injury and illness

WorkSafeBC's vision is simple: workers and workplaces safe and secure from injury, illness, and disease. In support of this vision, WorkSafeBC establishes standards and guidelines for occupational health and safety practices, educates and consults with workplace stakeholders, raises public awareness of workplace safety, and builds partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. Unlike most other workers' compensation agencies, which are often limited to an insurance function, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation through workplace inspections, to investigate serious incidents, and, in certain cases, to levy financial penalties or other sanctions against employers for safety infractions.

Through its education, consultation, inspection, and enforcement activities, and with the help of external stakeholders, WorkSafeBC is working to improve the health and safety of workers in B.C. By minimizing the social and economic costs of work-related accidents, WorkSafeBC contributes to British Columbians' quality of life and the province's competitive edge in the Canadian and global economies.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions on compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits for dependants of workers who are killed on the job or die from occupational disease. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to lasting employment in a safe and timely manner.

Maintaining the financial sustainability of the system

WorkSafeBC assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. WorkSafeBC is committed to the principles of sound financial management and has numerous programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions related to compensation, assessment, and prevention. During the review process, WorkSafeBC may overturn its initial decision if it is found to be incorrect or if new evidence comes to light. The internal review function helps WorkSafeBC improve the consistency, predictability, and quality of its decision making. The Workers' Compensation Appeal Tribunal (WCAT), an independent appeal tribunal, serves as the final level of appeal for workers and employers on workers' compensation matters.

Supporting strategic goals

WorkSafeBC conducts a variety of other activities in support of its strategic goals, including designing and implementing programs for improving internal efficiency, conducting investigations to limit WorkSafeBC's exposure to fraud, developing easy-to-use online services, and reviewing and developing new policies and regulations to improve the overall functionality of the workers' compensation system. WorkSafeBC also supports organizational goals through professional development and training opportunities for staff, recruitment strategies, and continued investment in information systems and other capital resources for increased productivity and improved business capacity.

Message from the President

Staying focused

The past year was a productive one for WorkSafeBC. I am proud to report that in 2006 we met the majority of our strategic, operational, and financial goals; responded effectively to challenges that emerged in 2005; and continued to work toward lowering the injury rate — while providing compassionate, supportive service to our customers. Challenges remain, however, and WorkSafeBC will continue to focus on its primary mandate: creating safe and healthy workplaces in British Columbia.

Year in review

WorkSafeBC achieved strong financial results in 2006, with a surplus of $987 million and a smoothed funding ratio of 117 percent. The average employer premium rate has declined by more than 15 percent from 2005 to 2007. Projections indicate rates will continue to trend downwards through to 2010.

In 2006, WorkSafeBC continued to enhance customer service through new initiatives such as Teleclaim (see page 86). The organization received high customer service ratings from employers, and regular surveying indicates that public attitudes toward WorkSafeBC are at an all-time high.

In addition, WorkSafeBC successfully negotiated a four-year contract with the Compensation Employees' Union and met targets to control administrative costs (we had anticipated a slight increase) while managing very real cost pressures on the system.

We remain challenged, however, by the overall average provincial injury rate, which has increased slightly after a 30 percent reduction in the past decade. Rapid economic growth in 2005 and 2006 — particularly in high-risk sectors such as construction and manufacturing — has stretched the organization's capacity to deal with increasing claim volumes and growing numbers of worksites throughout the province. The rise in claims and mounting pressure on our resources affected the timeliness and quality of our interaction with injured workers, as evidenced by customer service surveys that show lower ratings from workers for 2006. In expanding economic cycles we also see more new and young workers in the workforce; both groups are more likely to be injured on the job than other workers. More of the same is forecast for 2007. And while we saw a small reduction in the number of serious injuries and fatalities in 2006, we still have a long way to go to ensure significant and lasting improvement.

Responding to emerging issues

The year 2005 was a dismal one for work-related fatalities in British Columbia. That year, the province recorded 188 work-related fatalities — 51 of them in the forestry sector,[1] which drew attention to the long-standing dangers in the industry and the fact that little progress has been made in reducing serious injuries and fatalities in this industry over time.

In 2005, another fatality involved a young worker who was killed while working alone at a gas station late at night. The tragic incident raised awareness of the dangers workers face when working alone.

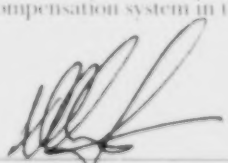
In 2006, WorkSafeBC responded to these issues through two targeted enforcement initiatives: one directed at the forestry industry and the other at gas stations. These initiatives and the resulting public debate raised awareness of the hazards in these industries and the importance of occupational health and safety in general. The gas station tragedy also resulted in proposed amendments to the Occupational Health and Safety Regulation, requiring mandatory pre-payment at gas stations in urban areas (late at night and in the early morning hours) and more formalized training and orientation for new and young workers. To honour the memory of the young man who lost his life working at the gas station, we refer to this new regulation as "Grant's Law."

WorkSafeBC continues to increase its focus on education, consultation, and enforcement to help create safer workplaces in B.C. Yet fatalities still occur. In 2006, there were 160 work-related deaths[2] — 61 of which were caused by occupational disease. Employers, workers, WorkSafeBC, and all British Columbians have to work harder to ensure the health and safety of workers in this province.

Looking ahead

In 2007, WorkSafeBC will consult with our stakeholders regarding further expansion of the provisions in the working alone regulation and a complete review of forestry requirements (Part 26 of the Regulation). We will also continue our focus on enforcement to help drive down the provincial injury rate.

I would like to thank WorkSafeBC staff for another successful year. The contribution of each and every member of our team is valued and makes a difference. I would also like to recognize the dedication of the members of the Board of Directors, who continue to work with the administration to achieve our shared goal of creating the most efficient, effective, and responsive workers' compensation system in the world.



David Anderson, MBA, C.Dir.
President and Chief Executive Officer
WorkSafeBC

Financial Context

The financial information contained in this annual report conforms to the audited financial statements beginning on page 53, except for the financial information based on the smoothed investment accounting approach.

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's financial statements reflect the market value of investments at the end of the reporting year (fair value accounting). This provides a snapshot or point-in-time reading of financial assets, which means that short-term financial market fluctuations are reflected in the financial results.

However, since WorkSafeBC's investments are intended to yield returns over the long term, any short-term gains in asset value are not necessarily available to lower employer premium rates or increase worker benefits. Similarly, short-term losses should not necessarily signal the need to increase premium rates or reduce worker benefits.

To avoid any such pressure toward rate volatility, WorkSafeBC continues to set rates using smoothed investment accounting, which is based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

Comparing fair value to smoothed operating results* ($ millions)	Financial reporting		Funding policy	
	2006 fair value	2005 fair value	2006 smoothed	2005 smoothed
Surplus from operations	987	474	680	465
Other comprehensive (loss) income	(16)	493	—	—
Total comprehensive income	971	967	680	465
Portfolio investments	11,498	10,358	9,789	8,939
Other assets	688	687	688	687
Total assets	12,186	11,045	10,477	9,626
Total liabilities	8,978	8,808	8,978	8,808
Fund balance				
Unappropriated balance	1,277	690	659	378
Reserves	840	440	840	440
Accumulated other comprehensive income	1,091	1,107	—	—
	3,208	2,237	1,499	818
Total liabilities and fund balance	12,186	11,045	10,477	9,626
Funding level (%)	**136**	**125**	**117**	**109**

**Numbers have been rounded.*

Comparing fair value to smoothed portfolio investments ($ millions)	2006	2005
Portfolio investments — fair value basis	11,498	10,358
Deferred investment gains	(1,585)	(1,210)
Restatement of fixed-term investments from market value to cost	(124)	(209)
Portfolio investments — smoothed basis	9,789	8,939

Strengthened funding policy offers protection

To ensure long-term financial sustainability of the workers' compensation system, the *Workers Compensation Act* stipulates that the present and future costs of injuries arising in a given year should be collected by way of assessments on employers who are active in that year.

WorkSafeBC's funding policy requires that total assets (including those held in reserves) must cover total liabilities by 100 to 130 percent. Capital market expectations and lowered risk premiums suggest that investment returns are likely to be less exuberant than those observed in recent years. A decision was made in 2005 to strengthen WorkSafeBC's investment fluctuation reserve over a number of years in order to cushion the impact of periodic market declines and protect the system for both workers and employers.

Prudent investment promotes sustainability

WorkSafeBC also seeks to promote sustainability of the system through prudent investment of the Accident Fund. The minimum long-term investment objective of the fund is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, which is the discount rate used to determine the fund's actuarial liability. The primary determinant of the Accident Fund's risk and expected return is its asset mix, which is determined by WorkSafeBC's Board of Directors under the advisement of an investment committee, which includes three independent external investment experts in addition to the President and Chief Executive Officer and the Chief Financial Officer of WorkSafeBC.

The Board of Directors regularly reviews and updates a statement of investment policies and goals (SIPG) for the Accident Fund. Among other things, the SIPG sets out a risk budget that guides the investment strategies for the Accident Fund. Forty-five percent of the Accident Fund's assets are allocated to fixed-income investments such as bonds with a permissible range of 35 to 55 percent. Another 45 percent is allocated to Canadian and international equities with a permissible range of 30 to 55 percent. The final 10 percent is allocated to real estate with a permissible range of 5 to 15 percent.

Pension costs impacted by court decision

In 2006, a B.C. Supreme Court decision (Cowburn v. Workers' Compensation Board of British Columbia [2006], BCSC 722) clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities.

As a result of legislative changes in 2002, WorkSafeBC had adopted a policy that stipulated that deteriorations of a permanent disability that occurred before June 30, 2002, would be treated as a recurrence of that disability. This meant that if a worker with a permanent disability pension awarded before June 30, 2002, experienced deterioration in his or her permanent impairment after that date, the new provisions of the *Workers Compensation Act* applied. The new provisions stipulated that only medical aid would continue after age 65 in most cases and that no increase in pension benefits (based on 90 percent of net earnings) could be awarded as a result of the deterioration.

The Workers' Compensation Appeal Tribunal, the external independent appeal body for workers' compensation decisions, found the policy "patently unreasonable" and referred the matter to WorkSafeBC's Board of Directors. The Board confirmed the policy, but in 2006 the B.C. Supreme Court considered the matter during a judicial review.

The case under review involved a worker assessed as having a permanent disability in 1998. By 2004, however, his condition had changed and a reassessment set the new percentage of disability at a higher level.

At the time of the reassessment, the worker was past the age of 65. Under the legislative provisions in effect prior to June 30, 2002, the worker would have received a pension — 75 percent of gross earnings — based on this higher level of disability for the rest of his life. Under the new legislative provision and policy interpretation, the worker would not be entitled to an increased permanent disability award. The original permanent disability award would have continued, and related health care expenses associated with the increased disability would have been covered by WorkSafeBC.

The B.C. Supreme Court ruled that deteriorations of permanent disabilities that existed before June 30, 2002, should be adjudicated under the provisions of the Act that existed pre-June 30, 2002. WorkSafeBC acted immediately to reassess the case in question and to begin reviewing other claims that may have been adjudicated in a similar fashion. WorkSafeBC expects to complete the review of these claims in 2007.

This interpretation and policy change resulted in an estimated $185-million increase in the actuarial cost. This includes the cost of reassessing claims previously adjudicated, as well as the projected cost of applying the revised policy to all future decisions.

GOVERNANCE

WorkSafeBC Board of Directors

The composition of the WorkSafeBC Board of Directors, as laid out in legislation, ensures that public interest is given priority and that a balance of representation is provided from B.C.'s worker, employer, and health care/rehabilitation communities.

Together with WorkSafeBC President and Chief Executive Officer David Anderson, the following voting members of the Board of Directors govern the policy and direction of the organization.

Douglas Enns — Chair, public interest representative

Doug Enns is a chartered accountant with extensive executive management experience in information technologies, banking, mergers and acquisitions, and financial regulation and reorganization. He is the principal of Douglas J. Enns & Associates, a firm providing consulting services to banking, business, and government clients. Among his many appointments, he has served as chair of the Board of Governors at the University of Victoria and president of the B.C. Institute of Chartered Accountants.

Terry Brown — Employer representative

Terry Brown has a broad range of experience in small business marketing, management, and ownership. He is currently the general manager of Greyback Construction, a medium-sized construction company based in the Okanagan. He has in-depth knowledge of occupational health and safety issues, and serves as a board member for several organizations, including the Canadian Construction Association.

Stephen Hunt — Worker representative

Stephen Hunt's background with the United Steelworkers, one of Canada's largest and most diverse unions, covers all aspects of health and safety, with specific expertise in mine safety. He is the Steelworkers' director for Western Canada District 3, and serves on numerous provincial and national safety committees, including the B.C. Federation of Labour's occupational health and safety committee.

Roslyn Kunin — Vice-chair, public interest representative

Dr. Roslyn Kunin is the principal of Roslyn Kunin and Associates Inc., an economic consulting company specializing in the labour market and human resources. She is a senior fellow of the Canada West Foundation and director of the B.C. office, and a member of the National Statistics Council of Statistics Canada. She has taught at several universities and is a member of the Order of Canada.

George Morfitt — Public interest representative

George Morfitt is an adjunct professor at the University of Victoria's School of Public Administration. Previously, during his appointment as Auditor General of British Columbia, he oversaw the implementation of leading-edge governance and accountability initiatives in the public sector. He was appointed to the Board of Directors on December 6, 2006.

Peter Morse — Actuary

Until his 1998 retirement from Towers Perrin, one of the world's largest global management consulting firms, Peter Morse served as a primary consultant to a number of major western Canadian pension plan sponsors, in addition to his overall responsibilities as senior actuary in the Vancouver office. He is a former president of the Canadian Institute of Actuaries.

Arlene Ward — Health care/ rehabilitation professional

Arlene Ward has been working with persons with disabilities for more than 22 years. Her experience ranges from advocacy to the development and implementation of disability management programs. Her personal experience as an individual living with a catastrophic loss disability, in combination with her academic background, has given her unique knowledge and insight into her field.

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise as necessary the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws respecting the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister of Labour and Citizens' Services with a service plan that addresses the three-year period starting on January 1 of that year and does the following:
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results of the previous year with the expected results identified in the previous year's service plan
  - Presents other information that WorkSafeBC considers appropriate

Activities

In 2006, the Board of Directors of WorkSafeBC completed the first stage of its Health and Safety Initiative. The Board of Directors published its findings in *From Awareness to Action: Building a Better System for the Future*,[1] which sets out the initiative's key themes, preliminary conclusions from stakeholder consultations, and resulting actions undertaken by WorkSafeBC. These actions include:

- Launching the Partners in Injury and Disability Prevention program, which provides premium rebates to employers who develop standardized health and safety programs and then pass an audit of their programs (see page 22).
- Implementing a system whereby each proposed regulatory amendment must clearly identify the rationale for change, the key issues, and the source driving the change. This evaluative mechanism will ensure the Occupational Health and Safety Regulation is fulfilling its purpose.
- Developing a new policy that will clarify the roles and responsibilities of all workplace participants, including the status of independent operators and labour contractors.
- Reviewing the resolution regarding principles and criteria for funding industry associations, in order to ensure it supports and enhances the ability of industry associations to effectively deliver health and safety standards, best practices, and education, training, and consulting services.
- Exploring the feasibility of producing industry-specific materials containing applicable regulation, policy, and guidelines for major industries in the province.

Committees

The Board of Directors met 11 times in 2006 and held one governance and planning session. The Board of Directors may establish committees and give direction to those committees. Current Board committees are as follows:

- Audit Committee — met eight times in 2006
- Human Resources and Compensation Committee — met five times in 2006
- Priorities and Governance Committee — met five times in 2006

Priorities

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

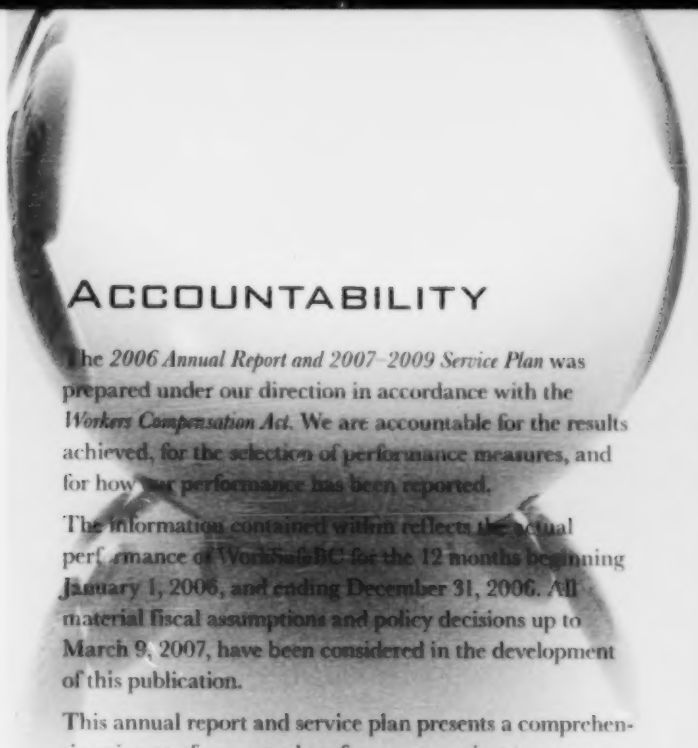
Standard of conduct

Section 84 of the *Workers Compensation Act* requires members of the Board of Directors to adhere to the following standard of conduct when exercising their powers and performing their functions and duties:

- Act honestly and in good faith
- Act with a view to the best interests and objectives of the workers' compensation system
- Exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances
- Act in a financially responsible and accountable manner
- Read, acknowledge, and agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines upon appointment and each subsequent year as directors

Decisions

The Board of Directors makes decisions on policy and regulation that affect the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay, as well as the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, along with the formal resolutions, online at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.



ACCOUNTABILITY

The *2006 Annual Report and 2007–2009 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. We are accountable for the results achieved, for the selection of performance measures, and for how our performance has been reported.

The information contained within reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2006, and ending December 31, 2006. All material fiscal assumptions and policy decisions up to March 9, 2007, have been considered in the development of this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2005 Annual Report and 2006–2008 Service Plan*, and includes estimates and significant interpretive information that represent the best judgment of WorkSafeBC management. The measures reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance.

We are responsible for ensuring that WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our web site at WorkSafeBC.com.

Douglas Enns, FCA, C.Dir.
Chair
WorkSafeBC

David Anderson, MBA, C.Dir.
President and Chief Executive Officer
WorkSafeBC

Priorities

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

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- Act with a view to the best interests and objectives of the workers' compensation system
- Exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances
- Act in a financially responsible and accountable manner
- Read, acknowledge, and agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines upon appointment and each subsequent year as directors

Decisions

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Douglas Enns, I.C.A., C.Dir.
Chair
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David Anderson, MBA, C.Dir.
President and Chief Executive Officer
WorkSafeBC

Report of the Auditor General of British Columbia

To the Board of Directors, the Workers' Compensation Board of British Columbia

To the Minister of Labour and Citizens' Services, Province of British Columbia

I have audited the *2006 Annual Report and 2007 - 2009 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2006. The eight BC Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether the information required by the BC Reporting Principles has been included. However, this opinion excludes the information presented in WorkSafeBC's financial statements, for which a separate audit opinion is provided.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2006, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.

Victoria, British Columbia
March 9, 2007

Arn van Iersel, CGA
Acting Auditor General

Appendix to the Report of the Auditor General of British Columbia on the 2006 annual report of the Workers' Compensation Board of British Columbia (WorkSafeBC)

Detailed observations

Principle 1 – Explain the public purpose served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link goals and results

The report explains the chain of events from mission to goals, objectives, and strategies through to performance measures. The relevance of these measures is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the few critical aspects of performance

The report states why goals, objectives, and 11 performance measures are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4 – Relate results to risk and capacity

The report summarizes key risks and capacity issues in relation to each performance measure, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link resources, strategies, and results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items, and 10-year trend information is provided for revenues and expenses. Critical measures of efficiency are identified — administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

Principle 6 – Provide comparative information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present credible information, fairly interpreted

We are providing a high level of assurance that the data supporting the 11 key performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although we do not provide assurance on the effectiveness of the control environment. The report is reasonably concise and specialized terminology has been avoided. The report has been issued in accordance with statutory reporting deadlines.

Principle 8 – Disclose the basis for key reporting judgments

The report provides explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and CEO have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Demanding workplace safety: a shared responsibility

Everyone is responsible for demanding safety in the workplace. We should all demand it for ourselves, our co-workers, our employees, and our family members. Workplace rights and responsibilities are enshrined in the *Workers Compensation Act* and in the Occupational Health and Safety Regulation. But beyond the law, there are compelling social and ethical reasons for ensuring everyone is safe at work. We all have a responsibility to keep those we care about safe from harm, and to speak up when we recognize danger.

How WorkSafeBC sees it

WorkSafeBC plays a significant role, along with its workplace partners — the employers and workers of British Columbia — in creating safe and healthy workplaces. The organization accomplishes this part of its mandate through education and consultation, incentives, and enforcement of the Act and the Regulation.

WorkSafeBC must also respond to emerging safety issues as they arise. In 2006, for example, WorkSafeBC responded to the high number of serious injuries and fatalities in the forestry sector by launching the Forest Compliance Strategy. WorkSafeBC conducted more than 300 targeted worksite inspections of forestry operations within the first three months of the year. These resulted in 600 written safety orders — nearly double the number for the same period the previous year. WorkSafeBC safety officers also spent more time educating forestry workers, contractors, licensees, and owners about their training, supervision, and health and safety responsibilities. As a result of the success of this pilot, the Forest Compliance Strategy is now WorkSafeBC's standard approach to inspections in the woods. WorkSafeBC continues to work with stakeholders in the forestry industry to find new ways of changing workplace culture.

To address the workplace violence and working alone issues that became apparent following the tragic death of a gas station worker in 2005, WorkSafeBC conducted a random inspection blitz of 409 gas stations in 2006. These inspections aimed to determine the level of compliance with the regulations that protect workers from the risks of working alone and late at night at gas stations. This initiative found significant levels of non-compliance with safety regulations, with virtually every inspection resulting in the documentation of violations and the issuance of orders.

As well as conducting follow-up inspections of gas stations and reviewing compliance plans submitted by non-compliant employers, safety officers continue to work with employers in this sector to increase understanding and awareness of employer responsibilities, and to develop appropriate site-specific procedures. Another round of inspections is planned for 2007.

Several regulatory amendments were also introduced for consultation in 2006, pertaining to the orientation and training needs of young and new workers and mandatory requirement for pre-payment at gas stations in urban areas between the hours of 10 p.m. and 6 a.m. Further amendments to the working alone regulation will be taken out for consultation in 2007.

In 2006, WorkSafeBC made a strong commitment to the concept of demanding safety among young audiences with the introduction of DemandSafety.ca — a web-based awareness initiative targeted at workers between the ages of 15 and 24. Through radio ads; posters in bars, restaurants, and at construction sites; and an interactive web site, the graphic campaign shows the impact of working unsafely.

Corporately, WorkSafeBC had a busy recruitment year in 2006, hiring an additional 30 safety officers and 15 nurse advisors. WorkSafeBC continues to recruit qualified staff to support its efforts to enforce health and safety, and to consult with and educate workers and employers in the prevention of workplace injuries.

A WORKER SPEAKS

Nick Perry suffers from incomplete paraplegia. At the age of 19, his spinal cord was crushed in a workplace accident at a Victoria lumberyard. Although he has made an incredible recovery — intense therapy and a strong will have allowed him to walk again — he suffers from severe nerve damage in his spine.

Nick has strong opinions about what workers should do to demand safety on the job.

"I was gung ho, always ready to go," he says, in hindsight. "I'd shown initiative and I was determined. As a result, I was given more responsibility."

What he lacked, however, was adequate training and the confidence to ask questions — about safety, his duties on the job, and the skills he needed — and he believes that contributed to his accident.

On November 3, 2001, Nick was driving a forklift. As he put it into reverse, the load of lumber shifted and began to slip off the forks. He decided to get off and push the boards back on. But as he turned away, the load suddenly slid off the forks and onto his back, driving him to the ground and crushing his spine. Nick spent more than 13 hours in surgery and several months in rehabilitation and physiotherapy.

"As a worker, you need to look out for yourself. Your employer needs to look out for you too, but you carry a lot of the responsibility as well."

Young workers often think they're invincible and take unnecessary risks, he says. Sometimes they're intimidated by the workplace. Sometimes they want to prove themselves, so they become competitive in an effort to appear stronger and quicker.

Faster isn't smarter, Nick insists.

"If you're not sure how to do your job safely, or don't fully understand the duties of your job, ask," he says. "If you think the workplace doesn't encourage dialogue, buddy up. There's power in numbers. Go to the boss by yourself, with a buddy, or in a group. If your boss isn't ready to address the safety issue, find yourself a new employer."

AN EMPLOYER'S PERSPECTIVE

A safety-conscious employer puts health and safety ahead of production. That may be a challenge in a market-driven economy, but it's still the right thing to do.

So says Graham Trafford, general manager and corporate safety officer at Mott Electric Limited. Everyone should look out for each other at work, but employers need to set an example if they truly want to demand safety, he says.

Workers look for leadership from the top and if you're going to make safety happen, it has to come from the top and filter down.

"It's got to be more than just lip service," he says. "Employers have to arrive on the jobsite with their personal protective equipment on. They need to take an active interest in safety. They need to participate in joint safety committees."

An environment that encourages communication and openness is essential, he adds. "People need to know that it's okay to speak up. Employers need to convey that, so every worker knows that the door to the boss's office is always open."

Graham admits that getting that message out can be a struggle in an industry like construction. "Unlike an office, a jobsite is not a static workplace. With 200 people in the field, sometimes you have to be creative."

"I communicate with some of the guys by e-mail," he says. "I send minutes from monthly safety meetings, which the foremen review with their guys at toolbox meetings. Then there's a newsletter, which goes out three or four times a year and always includes something about safety."

But if employers really want to encourage a safe workplace, they need to speak to workers in a way that is meaningful to them. "Don't bury workers in paper. As an employer, you need to make sure there are simple procedures that are easy to read and easy to follow."

It's important that workers understand the reasons behind the procedures, he adds.

OUR PERFORMANCE

Measuring Our Performance

WorkSafeBC's Board of Directors and Senior Executive Committee have established four key strategic goals to guide the organization as it moves toward improved service and operational efficiency. These goals, established in 2002, are explicitly linked to WorkSafeBC's mission, vision, values, and priorities, and provide the foundation for measuring organizational performance year over year.

Key strategic goals:

1. Foster the improvement of occupational health and safety in workplaces
2. Improve service to stakeholders
   a. Improve satisfaction, accessibility, and public confidence
   b. Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation
3. Improve cost-effectiveness and accountability of the services we deliver
4. Maintain financial sustainability and stability

To measure its performance against each goal, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark its progress over time. These objectives and performance indicators guide planning and decision making at all levels of the organization and, through the annual reporting process, help WorkSafeBC remain open and accountable to the people of British Columbia.

There are a number of objectives and performance indicators used by WorkSafeBC, of which 11 have been identified by the Board of Directors and Senior Executive Committee as being most crucial to the fulfillment of WorkSafeBC's overall strategic goals (see page 19). In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators in relation to WorkSafeBC's strategic goals
- Validity of the indicators (i.e., do they measure what they are intended to measure?
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key performance indicators reflect WorkSafeBC's commitment to balanced scorecard reporting, which incorporates both financial and non-financial factors crucial to the fulfillment of WorkSafeBC's mandate, mission, and vision. By looking beyond purely financial measures of success, WorkSafeBC is able to build a more comprehensive picture of performance across a wide range of business areas, and use that information to help drive change and enhance business operations.

Each performance indicator (along with additional measures used at the corporate and divisional levels) is monitored and assessed throughout the year to track progress toward targeted goals. Most indicators are updated on a monthly or quarterly basis, which allows WorkSafeBC to adjust to changes quickly and, when necessary, make corrective policy, program, or operational changes to get back on target.[1]

Changes from the previous year

The 11 performance indicators selected for this year's annual report and service plan are a continuation of those used since 2003,[2] though in some cases there have been changes to the targets. In addition, some of the previous years' results published in the 2005 annual report and service plan were changed after publication due to the inclusion of new data and/or the refinement of calculation results. All such changes are noted and explained throughout the Performance Targets and Results section of this report (pages 20 through 37).

A number of key performance indicators list Teleclaim, a contact centre for injured workers, as one of several programs designed to improve services, injury reporting, and return-to-work outcomes. For a description of Teleclaim, see page 86.

Setting annual targets

In setting annual targets for each key performance indicator, WorkSafeBC considers several factors, including historical performance, desired levels of service, operational requirements, and resources available for reaching short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance, as well as the potential to mitigate or control those factors through various programs and initiatives (see Appendix C: Operating Environment, beginning on page 84).

WorkSafeBC sets its performance targets based on past experience and the likely impact of its programs and initiatives on future performance. When setting targets, WorkSafeBC strives for continuous improvement. In some cases, however, targets set for future years may be the same or lower than the levels achieved in the previous year. This can arise when the factors that contributed to past performance are not expected to continue. For example, favourable results may have been achieved because of an improvement to economic conditions, a new initiative, or a one-time allocation of resources that is not expected to continue in future years. Targets may also be less favourable than past performance when certain expenditures or activities are projected to impact the results. For example, an investment in new technology would increase WorkSafeBC's administrative costs for a period of time. The effect of such an increase would be factored into future targets.

In the section that follows, each key performance measure details the factors that contributed to the performance outcome and annual targets through to 2009.

Ensuring data reliability

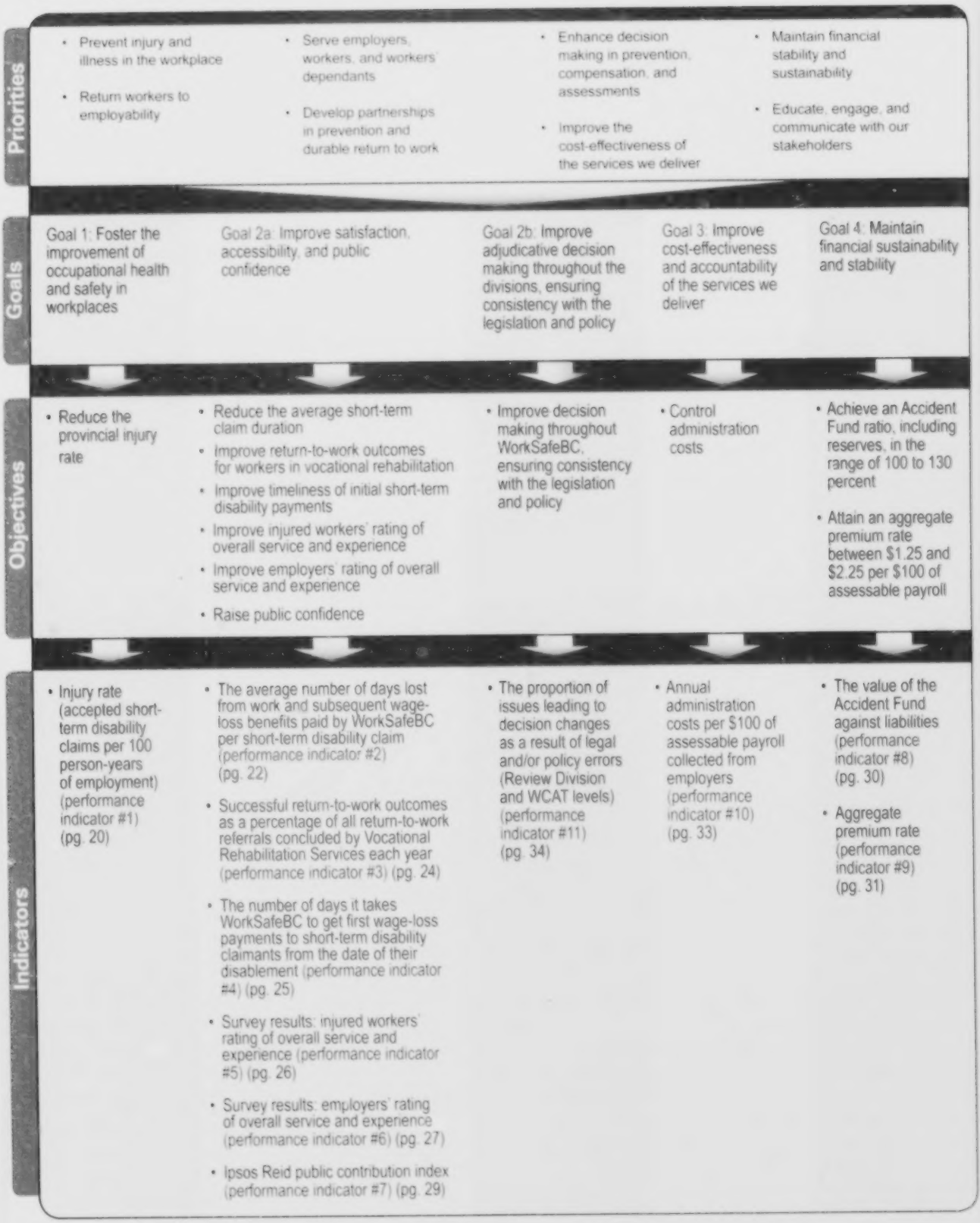
WorkSafeBC stands behind the integrity and reliability of all key performance results included in this annual report and service plan, but recognizes that some measures can be further refined due to the complexity of the variables involved. In an ongoing effort to improve its performance reporting, WorkSafeBC recently underwent the fourth year of a voluntary annual audit by the Office of the Auditor General of B.C. This audit was aimed in part at validating the systems and processes used to collect performance data at WorkSafeBC, verifying the accuracy of the results, and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 12 and 13.

The quality, consistency, comparability, and completeness of the data contained in WorkSafeBC's annual report and service plan will be further improved over time through ongoing auditing and quality-control initiatives. The Board of Directors and Senior Executive Committee will continue to evaluate the performance measures and refine them as needed to ensure that each is a meaningful indicator of progress toward WorkSafeBC's overall strategic goals.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to help measure performance and administer their systems; however, due to differing legal requirements, policies, goals, governing structures, and operating procedures, there is little standardization or consistency in the data collected and reported from one jurisdiction to the next. To help overcome this challenge, the Association of Workers' Compensation Boards of Canada has developed a series of standardized measures. For more information on these measures, refer to Appendix B: Comparing Results with Other Jurisdictions, beginning on page 80.

Linking priorities and performance


Priorities
• Prevent injury and illness in the workplace
• Return workers to employability
• Serve employers, workers, and workers' dependants
• Develop partnerships in prevention and durable return to work
• Enhance decision making in prevention, compensation, and assessments
• Improve the cost-effectiveness of the services we deliver
• Maintain financial stability and sustainability
• Educate, engage, and communicate with our stakeholders
Goals
Goal 1: Foster the improvement of occupational health and safety in workplaces
Goal 2a: Improve satisfaction, accessibility, and public confidence
Goal 2b: Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy
Goal 3: Improve cost-effectiveness and accountability of the services we deliver
Goal 4: Maintain financial sustainability and stability
Objectives
• Reduce the provincial injury rate
• Reduce the average short-term claim duration
• Improve return-to-work outcomes for workers in vocational rehabilitation
• Improve timeliness of initial short-term disability payments
• Improve injured workers' rating of overall service and experience
• Improve employers' rating of overall service and experience
• Raise public confidence
• Improve decision making throughout WorkSafeBC, ensuring consistency with the legislation and policy
• Control administration costs
• Achieve an Accident Fund ratio, including reserves, in the range of 100 to 130 percent
• Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll
Indicators
• Injury rate (accepted short-term disability claims per 100 person-years of employment) (performance indicator #1) (pg. 20)
• The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim (performance indicator #2) (pg. 22)
• Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (performance indicator #3) (pg. 24)
• The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4) (pg. 25)
• Survey results: injured workers' rating of overall service and experience (performance indicator #5) (pg. 26)
• Survey results: employers' rating of overall service and experience (performance indicator #6) (pg. 27)
• Ipsos Reid public contribution index (performance indicator #7) (pg. 29)
• The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) (performance indicator #11) (pg. 34)
• Annual administration costs per $100 of assessable payroll collected from employers (performance indicator #10) (pg. 33)
• The value of the Accident Fund against liabilities (performance indicator #8) (pg. 30)
• Aggregate premium rate (performance indicator #9) (pg. 31)

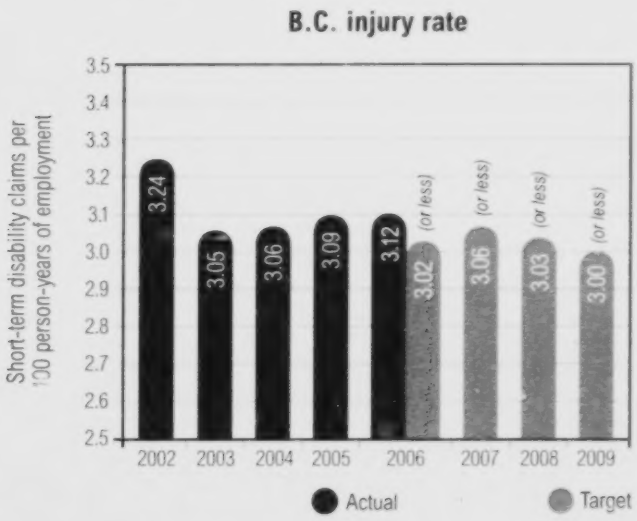
Performance targets and results at a glance

Key objective/performance indicator	2006 target	2006 result	2007 target	2008 target	2009 target
1. Reduce the provincial injury rate (the number of short-term disability claims accepted by WorkSafeBC per 100 person-years of employment)	3.02 or less	3.12	3.06 or less	3.03 or less	3.00 or less
2. Reduce the average short-term claim duration	46.8 days	45.4 days	45.4 days	45.1 days	44.6 days
3. Improve return-to-work outcomes for workers in vocational rehabilitation	70% or more	77%	75%[a] or more	75% or more	75% or more
4. Improve timeliness of initial short-term disability payments	17.5 days	17.7 days	17.5 days	17.0 days	17.0 days
5. Improve injured workers' rating of overall service (10-point scale)	8.0	7.5	—	—	—
Improve injured workers' rating of overall experience	—	70%	71%	72%	73%
6. Improve employers' rating of overall service (10-point scale)	8.3	8.6	—	—	—
Improve employers' rating of overall experience	—	78%	79%	80%	80%
7. Raise public confidence	79% positive	82% positive	82% positive	83% positive	84% positive
8. Achieve an Accident Fund ratio (smoothed basis), including reserves, in the range of 100 to 130 percent	115%	117%	121%	121%	121%
9. Attain an aggregate premium rate between $1.25 and $2.25 (per $100 of assessable payroll)	$1.92	$1.90	$1.67	$1.62	$1.61
10. Control administration costs (per $100 of assessable payroll)	$0.37	$0.37	$0.39[b]	$0.38	$0.37
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WorkSafeBC error in law or policy)[c]	Review level: 2.4% Appeal level: 2.5%	Review level: 1.4% Appeal level: 2.1%	Review level: 2.0% Appeal level: 2.5%	Review level: 2.0% Appeal level: 2.5%	Review level: 2.0% Appeal level: 2.5%

a The 2007 target is less favourable than the result achieved in 2006. For more information, refer to the performance indicator on page 24.
b The 2007 target is less favourable than the result achieved in 2006. For more information, refer to the performance indicator on page 33.
c Future targets are less favourable than results achieved in 2006. For more information, refer to the performance indicator on page 34.

Performance Targets and Results

Key objective/performance indicator #1: Reduce the provincial injury rate



Importance

On average, 692 claims are registered every workday in the province of British Columbia and an average of 13 men and women lose their lives each month to a work-related injury or occupational disease. This is unacceptable.

Preventing work-related injury, illness, disease, and death is WorkSafeBC's number one priority. We gauge our progress using a measure called the provincial injury rate, which is calculated by the number of short-term disability claims initially accepted by WorkSafeBC per 100 person-years of employment. The lower the rate, the lower the human cost of work-related injuries and death.[9]

Injury and occupational disease are not an acceptable cost of doing business, but until societal views change we will not see a significant improvement in the injury rate. Workers, employers, unions, government, and WorkSafeBC must all work together to achieve a future where workers and workplaces are safe and secure from injury, illness, and disease.

Setting targets

The provincial injury rate reflects the outcome of work-related injuries, illnesses, and diseases that have occurred in all sectors of the economy. The provincial injury rate can be affected by a number of factors, such as changes to employment and injury patterns. Therefore, when setting targets, WorkSafeBC considers the injury rate in each sector, as well as employment trends, industry conditions, sector initiatives, and other factors specific to each sector. Although data to calculate the final injury rates for 2006 will not be available until mid-2007,

WorkSafeBC has used preliminary injury rates for each sector and historical trend data to set provincial injury rate targets for 2007 and beyond (see table below). However, employment gains in sectors that have a high incidence of injuries could increase the overall provincial injury rate, as seen in 2006, even if injury rates decline or remain stable in other sectors.

The following table shows the estimated change in the 2006 injury rate for each sector compared with the final injury rate for 2005. This data forms the basis of future targets.

Injury rate by sector

Sector	Injury rate for 2005	Estimated change in 2006
Sector 70 — Primary Resources	4.3	No change*
Sector 71 — Manufacturing	5.0	No change
Sector 72 — Construction	6.4	Slightly higher**
Sector 73 — Transportation and Warehousing	6.6	No change
Sector 74 — Trade	2.7	No change
Sector 75 — Public Sector	4.7	No change
Sector 76 — Service Sector	1.9	Slightly higher

**No change = change in injury rate of 2% or less*
***Slightly higher = increase in injury rate of 3% to 5%*

In partnership with workers, employers, and other key stakeholders, WorkSafeBC is committed to eliminating injury, illness, disease, and death from B.C. workplaces. Progress toward that goal is measured by incremental changes in the injury rate over time. WorkSafeBC's targets in this area reflect the expected results if current strategies and predicted economic changes continue as anticipated. However, B.C.'s booming economy is making it more challenging to decrease the injury rate further.

Performance highlights

The injury rate increased slightly, from 3.09 in 2005 to 3.12 in 2006.[10] Most of that increase can be attributed to low-duration injuries (claims between one and three days in duration).[11] In the context of B.C.'s thriving economy, the small increase is still considered an accomplishment for all workplace participants and WorkSafeBC. While the injury rate was higher than WorkSafeBC's target of 3.02, it was about 30 percent lower than in 1996.[12]

Several factors have had an impact on the overall provincial injury rate for 2006. The economy is booming, resulting in a greater demand for workers. As a result, more unskilled, new, and young workers are entering the workforce. This is especially evident in the construction industry, which has an injury rate almost double the overall provincial rate. The overall injury rate also reflects pressure on manufacturing to meet the demands of a strong economy. An aging population places similar pressures on health care, especially in acute care facilities.

Early indications are that current programs and strategies are starting to have an impact, not only on stabilizing the injury rate in a period of strong economic growth, but also on reducing the number of serious injuries across the high-risk sectors by 6.5 percent in 2006 over 2005.[11]

One such strategy is WorkSafeBC's partnerships with industry safety associations. Significant work has been done with forestry to ensure the industry understands and lives up to its health and safety responsibilities. In 2006, WorkSafeBC focused its efforts in this industry on consultation and communication, safety incentives, and enforcement of owner/contractor/worker obligations under the *Workers Compensation Act* and the Regulation. In 2006, forestry claims dropped by 13.6 percent,[12] and serious injuries dropped by 36.5 percent.[13]

Major programs and strategies

In response to strong economic growth throughout the province, particularly in several high-risk sectors, WorkSafeBC increased its inspection staff in 2006. The additional staff allowed the organization to increase its overall enforcement activities, particularly inspections, which increased by 28 percent from 2005 to 2006.

To reduce the injury rate, WorkSafeBC undertook the following prevention programs and initiatives in 2006:

Focusing on high-risk sectors WorkSafeBC continued to strengthen and refine its industry-aligned service strategy. This involved analyzing where injuries were happening and grouping classification units under high-risk group sector labels. These sectors included forestry, fishing, oil and gas, construction, manufacturing, health care, and transportation. Specialized teams of employees were assigned to each high-risk sector. During 2006, these new teams developed strategies and action plans that were implemented to address the unique safety needs of each industry. Through these strategies, WorkSafeBC anticipates a positive impact on injury reduction.

Partnering with target employers Through its Focus on Safety program, WorkSafeBC identified 300 firms that are experiencing exceptionally high injury rates and/or a significant volume of claims, and it is partnering initially with 100 targeted firms to embed health and safety management systems to sustain reductions in injury and illness. Plans are underway to partner with additional firms in the future.

In addition, account managers provide industry-focused services to more than 600 firms that experience high rates of injury. Account managers aim to improve employers' overall experience with WorkSafeBC by assisting with claim issues and return-to-work programs, and facilitating contact with prevention and other WorkSafeBC resources.

Working with small business WorkSafeBC works with external partners to develop materials, tools, and services designed to address the unique health and safety needs of the small business sector.

Reaching out to young and new workers WorkSafeBC conducts a diverse range of prevention initiatives targeted to young workers, who are entering the workforce in growing numbers. These initiatives involve employers, labour groups, parents, educators, and young workers themselves. In response to a high number of serious injuries and fatalities among workers aged 15 to 24, and the continued economic growth that is attracting more and more young workers to jobs in high-risk industries, WorkSafeBC enhanced its outreach activities for young workers in 2006. Among these activities, WorkSafeBC launched DemandSafety.ca, an interactive web site designed specifically for young workers. To continue reaching out to young workers — a high priority for WorkSafeBC — the organization has incorporated youth-targeted strategies into all its industry initiatives.

WorkSafeBC also expanded its information resources in 2006 by translating safety information into several languages and supporting partnerships that provide increased safety training opportunities to new workers.

Building industry partnerships WorkSafeBC cannot change safety culture in the workplace by itself, so the organization is committed to forging strategic partnerships with key industries and labour groups to help them strengthen their commitment and capacity to address occupational health and safety issues. To date, WorkSafeBC has helped establish nine safety associations in areas such as forestry, construction, and agriculture, and has launched several large industry-sponsored safety initiatives. Plans are underway to establish additional safety associations in other sectors in the future.

Targeting serious injuries In response to a continued high rate of death and serious injury in the workplace, WorkSafeBC has increased its consultation, education, investigation, and enforcement activities in industry sectors/subsectors with the highest rates of serious injury and death. WorkSafeBC

is also continuing its Lessons Learned project — a coordinated communication and education strategy aimed at sharing the causes of serious injury incidents and work-related fatalities with workers, employers, and the public to prevent a repeat of similar incidents.

Targeting injuries by motor vehicle accident — Motor vehicle accidents account for approximately 2.4 percent of all work-related injuries and 19 percent of fatalities in B.C. To draw attention to injuries occurring on B.C. roads, WorkSafeBC joined with industry associations, labour unions, and municipal, provincial, and federal government agencies to develop TruckSafeBC — a community-based strategy that relies on partnerships to reduce deaths resulting from truck collisions. In 2006, through the TruckSafe strategy, a 192-kilometre stretch of B.C.'s Fraser Canyon was designated as Canada's first highway safety corridor. The corridor takes safety to the next level with a three-pronged approach: improved road engineering, enforcement, and education.

Recognizing safety partners — WorkSafeBC's Partners in Injury and Disability Prevention program is a voluntary, industry-driven initiative. Its goal is to assist employers with the creation of management systems that promote health and safety and help injured workers make a timely, safe return to work. Employers implement standardized health and safety programs, after which they must pass an audit to receive a certificate of recognition and be eligible for a rebate on their WorkSafeBC premiums. A number of safety associations in oil and gas, construction, and forestry are acting as certifying partners for their industries. WorkSafeBC anticipates expanding this program to more employers and industries in 2007.

Looking ahead

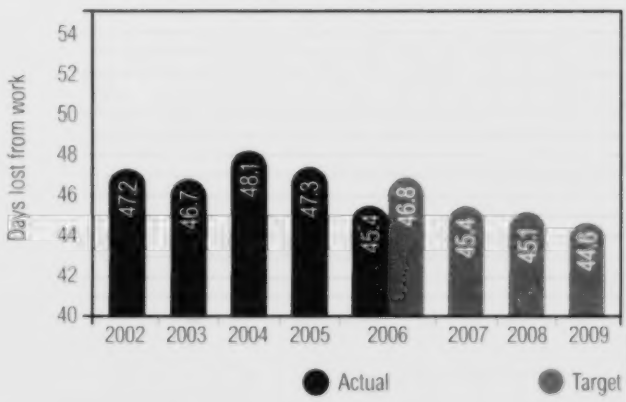
Over the next year, WorkSafeBC's goal is to lower the injury rate to 3.06 or less. This change will not be accomplished easily. While a growing economy with new industries and jobs is good news for British Columbia, safety must be a priority. The workforce composition is changing, new health and safety issues are emerging, and non-traditional employer/worker relationships continue to evolve. As a result, WorkSafeBC is undertaking a number of new initiatives to address changing workplace health and safety needs. It will take the continued efforts of workers, employers, labour, business, and others — all working together — to make B.C. workplaces safer and healthier.

In 2007, WorkSafeBC will continue to focus prevention resources on seven of the highest-risk industry sectors: construction, forestry, fishing, oil and gas, manufacturing, transportation, and health care. Customized prevention strategies, tailored to the unique characteristics of each of these high-risk sectors, have been developed and will continue to be implemented throughout the year. WorkSafeBC will be paying particular attention to forestry, residential housing construction, health care, and manufacturing, which are plagued with excessively high numbers of injuries. WorkSafeBC will also increase its focus on young/new workers and on occupational diseases. In addition, WorkSafeBC will leverage its partnerships with key business and labour stakeholders in order to increase ownership and each sector's response to the reduction of illness and injury.

WorkSafeBC will continue to undertake prevention education and awareness initiatives in 2007, including a comprehensive targeted communications strategy. To help transform the attitudes, beliefs, and behaviours surrounding health and safety on the job, the strategy incorporates multiple communication channels, including speeches, direct mail, and multimedia. The underlying goal is to create a culture of safety and make occupational health and safety a primary concern for all British Columbians.

Key objective/performance indicator #2: Reduce the average short-term claim duration

Average short-term claim duration



Importance

The average short-term claim duration is the average number of days lost from work.[1] When an injury occurs, WorkSafeBC's claim management team works to provide clinical and return-to-work services to the worker. Experience has shown that it is beneficial for a worker to return to his or her workplace as soon as safely possible. The longer a worker is away from his or her job, the more difficult it is to return to work.

Setting targets

Short-term claim duration is influenced by many factors, including the nature of the injury, the age and gender of the injured worker, and the worker's transferable skills. External factors that also influence duration include: the timeliness of treatment and adjudication; the availability of return-to-work opportunities; and the general mix of claims accepted by WorkSafeBC in terms of injury types, average age of injured workers, and the volume of claims from specific industry sectors.

The targets established in this area are based on a similar mix of claims over time and reflect the expected impact of changes to WorkSafeBC's systems, resources, and practices for expediting care and improving the efficiency of claim adjudication. In setting targets, WorkSafeBC also considers the general economic climate and the willingness of employers and workers to engage in return-to-work initiatives, workplace modification, and job accommodation.

Performance highlights

In 2006, WorkSafeBC achieved the lowest duration since 1997. The average short-term claim duration was 45.4 days in 2006, which was down 4 percent from 47.3 days in 2005.

Major programs and strategies

When an injury occurs, WorkSafeBC is committed to supporting the worker and his or her family to a safe return to work after medical recovery. In 2006, WorkSafeBC implemented a number of strategies to assist and support injured workers in their return to work:

Dual-stream process model This model allows early intervention through return-to-work planning within days of a claim being accepted. It includes the exploration of return-to-work options with the worker, employer, and physician for improved outcomes.

Additional nurse advisors In 2006, WorkSafeBC hired 15 additional nurse advisors to assist with return-to-work planning by supporting injured workers during the first eight weeks of their claims.

Staff and professional development Professional development programs were implemented to help staff enhance their skills, which in turn increased staff's ability and capacity to handle claim volumes. These programs were particularly beneficial to adjudication staff and case managers.

Impact of quality measures As a result of changes to quality measures, decisions and services have improved. This was evidenced by a decrease in the number of decisions before the Review Division in 2006. Of these decisions, 73 percent were upheld by the division, and only 1.4 percent were overturned because of an error in the application of law or policy (see page 34).

Improved clinical programs Customized programs met individual workers' needs earlier, thereby reducing wait times.

Account management Account managers continued to work with more than 600 firms on return-to-work and disability management programs, which is expected to have a significant impact on the duration of worker claims.

Segmentation This initiative has resulted in major improvements to return-to-work programs due to greater industry knowledge. Through segmentation, WorkSafeBC staff work with labour and employer partners to overcome barriers to return to work in their industries.

Vocational rehabilitation See key objective/performance indicator #3 on page 24.

Looking ahead

While WorkSafeBC anticipates future increases in claim volume due to strong economic growth across B.C.'s workforce, the organization expects to maintain the short-term claim duration at 45.4 days in 2007, and to reduce this further in years ahead.

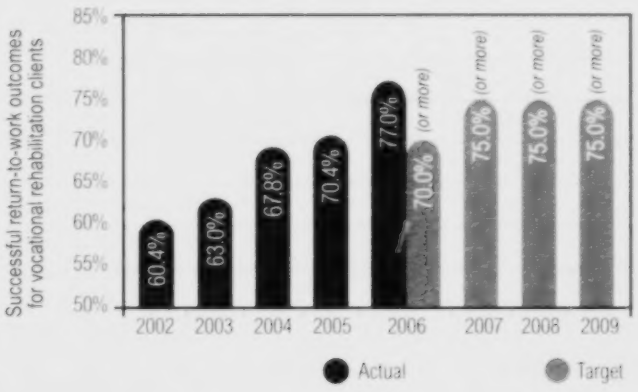
These targets are aggressive and may be difficult to achieve if the volume of claims continues to rise and/or there is a change in the mix of claims. A large increase in claims from the construction sector, for example, could affect duration because construction workers typically experience more severe injuries and higher-duration claims. To mitigate this risk, WorkSafeBC has been focusing its prevention activities on reducing the overall number of work-related injuries and illnesses in high-risk sectors such as construction.

In 2007, WorkSafeBC will continue to operate an early intervention model, which allows WorkSafeBC nurse advisors and, if necessary, vocational rehabilitation consultants to get involved in the claim process earlier than before. Their work with employers also supports reducing claim duration through the proactive implementation of return-to-work programs and disability management systems. Over time, this approach, implemented in 2005, is expected to improve return-to-work outcomes and further reduce average short-term claim duration.

WorkSafeBC will continue to strengthen its partnerships with individual employers and industry associations to build increased capacity for successful return to work.

Key objective/performance indicator #3:
Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes



Importance

Successful return-to-work outcomes for workers is what vocational rehabilitation is all about. Many workers with catastrophic, severe, and complex injuries are unable to return to work without assistance. Typically, 3 to 4 percent of all injured workers with wage-loss claims are referred to Vocational Rehabilitation Services for return-to-work services such as counselling, vocational assessment, and skill development. To measure the effectiveness of its efforts, WorkSafeBC tracks the number of successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as it is safely possible. However, since some workers referred to the vocational rehabilitation program have extremely complex injuries with a very low probability of successful return to work, it is unlikely that this measure will ever reach 100 percent. Some studies suggest that a success rate between two-thirds and three-quarters of all referrals is achievable. WorkSafeBC's current targets reflect management's best estimates of the expected outcomes of current programs and strategies (assuming a relatively similar mix of claim referrals from year to year).

Performance highlights

In 2006, WorkSafeBC achieved a return-to-work success rate of 77 percent. Vocational rehabilitation consultants helped 1,986 workers return to suitable employment (98 more than they helped in 2005), of whom 1,054 returned to work with a new employer or became self-employed.

Major programs and strategies

WorkSafeBC works closely with injured workers, physicians, employers, unions, and others to create return-to-work programs customized to meet workers' unique needs. Programs and services may include vocational counselling, return-to-work planning, worker/employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education.

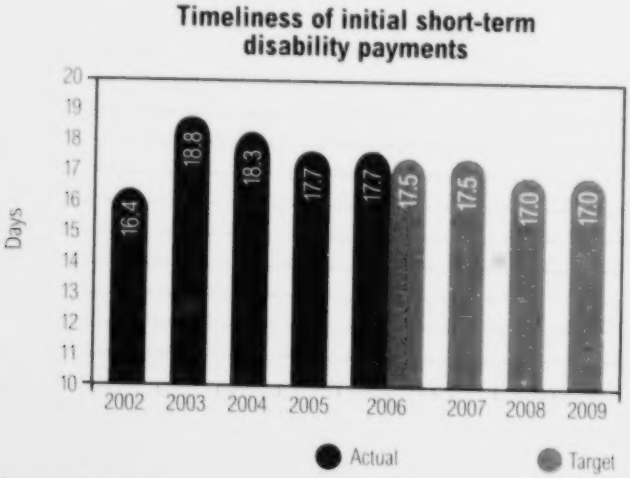
Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the same job, a modified version of the same job, or a similar role. If this is not possible, WorkSafeBC's Employment Development and Placement (EDAP) program offers other employment options. EDAP helps WorkSafeBC vocational rehabilitation consultants and their clients identify new job opportunities and offers employers incentives to help offset the costs of hiring and training return-to-work employees. These incentives can include a brief and fully funded work assessment, a cost-shared on-the-job training program, worksite modifications, and/or tuition costs for job-related courses.

WorkSafeBC continues to focus on improving its internal processes, reducing backlogs, and streamlining the administrative workload in order to free up vocational rehabilitation consultants to spend more time with their clients.

Looking ahead

When the economy is healthy, there is a significant demand for skilled resources. This demand was a major contributing factor to return-to-work success in 2006. Since this trend may or may not continue in the years ahead, WorkSafeBC's future targets for return to work are lower than the results achieved in 2006 (see page 17, "Setting annual targets"). However, WorkSafeBC is confident that it can maintain high return-to-work outcomes; this will be achieved through continued early intervention and an expansion of incentive programs that encourage employers to take a more proactive role in the return-to-work process. WorkSafeBC is aiming to achieve a return-to-work success rate of 75 percent or more in 2007, and to maintain that rate through to 2009.

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments



Importance

Many injured workers rely on timely payment of their benefits to sustain themselves and their families until they are able to return to work. To measure the timeliness of initial short-term disability payments, WorkSafeBC calculates the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and the date the first payment is made. WorkSafeBC strives to get disability payments to injured workers as quickly as possible, without compromising the integrity of the adjudication process. However, payment times can be affected by a number of external factors, such as the length of time it takes workers, employers, and health care providers to register their information with WorkSafeBC.

Setting targets

WorkSafeBC generally aims to keep timeliness in the range of 17 to 18 days (based on the current mix of claims), which builds in adequate time for proper investigation and the determination of entitlement.

This range is based on WorkSafeBC's desire to maintain regular biweekly payments for the worker from the time a claim is first reported, which the *Workers Compensation Act* stipulates must be within three days of the incident.

Performance highlights

In 2006, overall timeliness remained constant at 17.7 days. While this is higher than the target of 17.5 days, it continues to be an improvement over the high of 18.8 days experienced in 2003.

The volume of claims registered with WorkSafeBC in 2006 increased by about 5.3 percent over 2005. Through claim management strategies and staff training, WorkSafeBC maintained timeliness despite increased volumes.

Major programs and strategies

During 2006, WorkSafeBC launched Teleclaim, a new service centre that workers can call to report injuries and receive assistance with recovery and return to work. Teleclaim aims to streamline injury reporting, entitlement decisions, disability management services, and the processing of wage-loss payments for injured workers. For a fuller description of Teleclaim, see page 86.

Account management continues to serve as a major program to help improve performance. Account managers work closely with employers to educate them on injury reporting responsibilities and improve the timeliness with which they register claims.

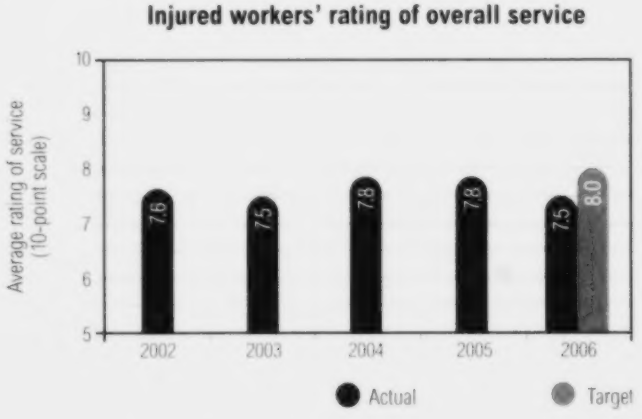
Looking ahead

In 2007, WorkSafeBC is aiming to improve the timeliness of initial short-term disability payments to injured workers to an average of 17.5 days, and by 2008 the goal is to achieve an average timeliness of 17.0 days. However, according to a 2006 survey, the vast majority of claimants already feel they receive their initial compensation payments in a timely manner. WorkSafeBC will continue to look for opportunities to improve timeliness through quality-enhancement and training initiatives.

The major issue that could negatively affect timeliness in the coming years is the number of wage-loss claims accepted by WorkSafeBC. If the volume of wage-loss claims continues to grow, it will become increasingly difficult for WorkSafeBC to achieve its targets across a number of performance areas, including timeliness of initial disability payments. Teleclaim will improve the organization's ability to receive claim information from workers in a timely and accurate manner, which will also help facilitate timely reporting of claims and should, in turn, improve the speed of initial short-term disability payments.

WorkSafeBC will also continue to educate workers, employers, and medical providers on their reporting responsibilities. And to help stem the tide of incoming claims, WorkSafeBC is increasing its prevention activities across key areas, including residential housing construction, forestry, health care, manufacturing, and other high-risk industries.

Key objective/performance indicator #5: Improve injured workers' rating of overall service and experience



Importance

WorkSafeBC is committed to providing excellent customer service to injured workers. To measure performance in this area, WorkSafeBC randomly surveys injured workers and asks them to rate WorkSafeBC on a variety of service attributes. The main indicators of success are workers' impressions of overall service and overall experience.

Overall service measures how workers rate the service provided by the WorkSafeBC staff member who was their last contact during the claim process. The rating is scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."

Overall experience is broader in scope and reflects a number of additional areas that affect workers' perceptions of service, such as their overall experience with the claim process and help with return to work. Workers rate overall experience on a 5-point scale from "very poor" to "very good."

While workers' ratings for both overall service and overall experience are included in this year's report, WorkSafeBC will report only overall experience (for employers' ratings, see page 27) in 2007 and beyond.

Setting targets

Often, WorkSafeBC staff must make difficult claim decisions in accordance with legislation and policy. Given the adjudicative nature of this mandate, it is unlikely that all injured workers will be completely satisfied with the outcome of their claims or provide perfect scores for overall service and experience. WorkSafeBC strives to continually improve service to injured workers, but realistically, peak performance will likely be in the range of 8.0 to 8.5 out of 10 for overall service and around 75 percent "good" or "very good" for overall experience.

Performance highlights

In 2006, WorkSafeBC received an average rating of 7.5 (+/– 0.4 points) out of 10 from injured workers for overall service, which was below the target of 8.0 for the year and slightly lower than the 2005 result of 7.8 out of 10.[1] Seventy percent of injured workers rated their overall experience with WorkSafeBC as "good" or "very good."

During the year, WorkSafeBC staff faced a variety of challenges that affected their ability to meet the overall service target. The most significant factors were a continued rise in claim volume (claims reported to WorkSafeBC increased by 5.3 percent from 2005 to 2006) and increasing pressures on WorkSafeBC's resources, which affected the timeliness and quality of WorkSafeBC's interactions with injured workers. This resulted in lower service scores in a number of areas, particularly workers' ratings of staff availability, helpfulness, and speed and timeliness of service — all of which contributed to the lower overall service score.

Major programs and strategies

In 2005, WorkSafeBC introduced the Voice of the Customer program — a new stakeholder feedback strategy designed to identify and prioritize the areas of service that are most important to workers and employers (see page 86). Through the program, WorkSafeBC discovered that the most important service to workers is the help they receive in returning to work. Other key service factors are the way in which their claims are decided and communicated, and the service they receive from WorkSafeBC staff (for example, being treated with care and compassion, kept informed, and treated with respect). The better the service, the more likely that injured workers will speak positively about their overall experience with WorkSafeBC.

In the area of return to work, WorkSafeBC launched a major training program in 2006: the Return-to-Work Toolkit for

nurse advisors, case managers, and vocational rehabilitation consultants. The Return-to-Work Toolkit is a powerful new resource for helping injured workers return to work. Through this training, WorkSafeBC staff gain a better understanding of what motivates injured workers to return to employment so they can better assist them. In 2006, staff in nine of WorkSafeBC's fourteen offices received the two-day training session on the use of this valuable tool, along with follow-up coaching and mentoring sessions. The remaining five offices will complete training early in 2007.

In 2006, WorkSafeBC also launched Teleclaim, a new phone-based system that makes it quicker and easier to file a claim. As a result, injured workers are gaining a better understanding of their responsibilities, as well as the roles of others dealing with a claim (see page 86 for more information about Teleclaim).

Teleclaim aims to improve service to workers at the beginning of the claim process, while the Return-to-Work Toolkit training will provide improved service toward the end. WorkSafeBC has also introduced a number of initiatives to improve service in the middle of the claim process. For example, the organization hired 15 additional nurse advisors to support injured workers with return-to-work planning early in the claim process, and introduced new training programs for entitlement officers and other claim staff focused on improved customer service.

Looking ahead

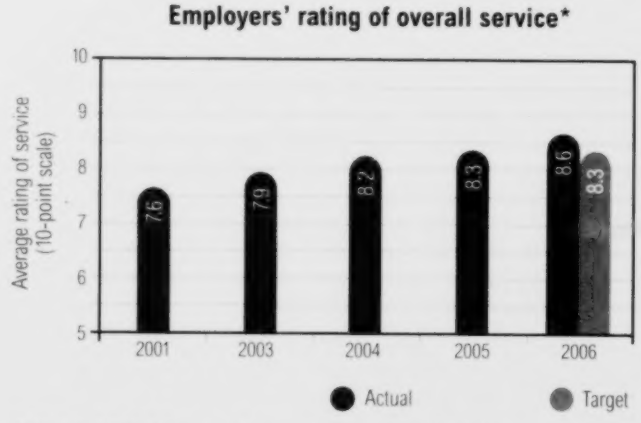
While WorkSafeBC is committed to improving customer service for injured workers, improving the overall experience result will take time. By 2008, Teleclaim will, to a large extent, replace the old paper-based process for reporting claims. This will provide injured workers with caring, personalized service and return-to-work support right from their initial contact with WorkSafeBC. WorkSafeBC will also continue to involve nurse advisors early in the claim process and implement the Return-to-Work Toolkit guidelines, which will facilitate early recovery and successful return to work — the number one driver of worker engagement.

Future shifts in economic activity that increase claim volumes or result in more severe injuries (due to a higher economic concentration in high-risk industries) could strain WorkSafeBC's service resources and pose service challenges. WorkSafeBC is moving to mitigate these risks by hiring additional claim staff and increasing its prevention education and enforcement activities in B.C.'s highest-risk industry sectors (see page 21).

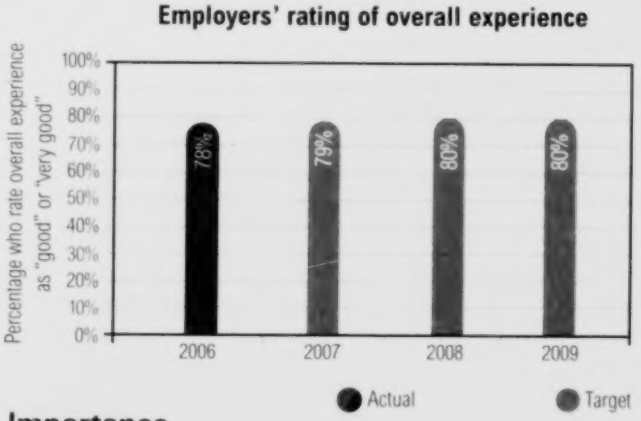
In 2008, WorkSafeBC will implement the Claims Management Solutions (CMS) program — a completely new business model for processing, tracking, and adjudicating claims. The CMS program will rely heavily on new electronic systems that will automate and enhance much of the claim management process and reduce many of the administrative delays associated with the current process. The program will result in a significant shift in the way WorkSafeBC handles claims and, as such, there may be an initial negative impact on service as the organization reorganizes and adjusts to the changes. However, the CMS program is designed to foster more timely decisions and payments, increased quality and consistency of adjudication, better sharing of information, and more personalized and compassionate service (see page 86).

Taking all of these factors into account, WorkSafeBC is aiming for an overall experience score of 71 percent in 2007, 72 percent in 2008, and 73 percent in 2009.

Key objective/performance indicator #6: Improve employers' rating of overall service and experience



**WorkSafeBC did not conduct an employer survey in 2002.*



Importance

WorkSafeBC serves the employers of British Columbia through its fundamental functions of prevention, assessment,

and compensation. To measure performance in these areas, WorkSafeBC randomly surveys employers who have had two or more claims in the previous 12 months. The two most important survey indicators are employers' ratings of overall service and overall experience.

Overall service measures how employers rate the service provided by the WorkSafeBC staff member who was their last point of contact in regards to a claim. The rating is scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor." Overall experience looks at a broader range of measures including satisfaction with the claim process, inspections, and premiums. It is rated on a 5-point scale with 5 representing "very good" and 1 representing "very poor."

In the years ahead, WorkSafeBC will report only employers' overall experience (for injured workers' ratings, see page 26).

Setting targets

WorkSafeBC strives to continuously improve employers' ratings of service; however, due to the adjudicative and regulatory nature of the organization's mandate, it is unrealistic to expect that all surveyed employers will give WorkSafeBC a perfect score for overall service or overall experience. Given WorkSafeBC's mandate, peak performance is estimated to be in the range of 8.5 out of 10 for overall service and around 80 percent "good" or "very good" for overall experience.

Performance highlights

In 2006, WorkSafeBC achieved an average rating of 8.6 out of 10 from employers for overall service,[16] which surpassed the target of 8.3 for the year. This is the fifth consecutive year that the service score has risen. In addition, through a new and more comprehensive measure, 78 percent of employers rated overall experience as either "good" or "very good."

Major programs and strategies

Two years ago, WorkSafeBC introduced a new service strategy and operational structure that saw specialized teams assigned to specific industries. This strategy, called segmentation, was designed to better develop staff knowledge and expertise related to specific industries, which had been a frequent request from employers. As a result, there are now experienced teams of WorkSafeBC adjudication and return-to-work support staff across the province who specialize in certain industries. Employers have benefited by being matched with WorkSafeBC staff who are familiar with their industries and understand the issues unique to their jobs and worksites.

In 2006, WorkSafeBC continued to expand its account management program, which is designed to provide customized service to specific groups of employers.[17] Under the program, WorkSafeBC account managers act as primary points of contact for employers, and work with their clients to coordinate integrated service on WorkSafeBC's behalf. The fundamental strength of the program is personal contact, which allows WorkSafeBC to provide clarification and advice to employers on a wide variety of matters, including prevention, injury costs, and WorkSafeBC processes.

WorkSafeBC has also continued to reach out to employers, building new relationships and partnerships aimed at enhancing safety, improving return to work, and lowering claim costs. As part of this outreach strategy, WorkSafeBC conducted numerous conferences and meetings with employers throughout the province in 2006. These educational forums provided employers with information on injury prevention, disability management, cost avoidance, prevention opportunities, assessments, and health and safety.

WorkSafeBC also continued to promote and enhance its suite of e-commerce applications to make it easier for employers to do business with WorkSafeBC. The breadth of services will expand over time as new products are made available.

Looking ahead

Through the Voice of the Customer program (see page 86), WorkSafeBC has identified the interactions that drive employers' overall experience with WorkSafeBC. The top three areas that shape employers' perceptions of service and value are claim processing, workplace inspections, and premiums.

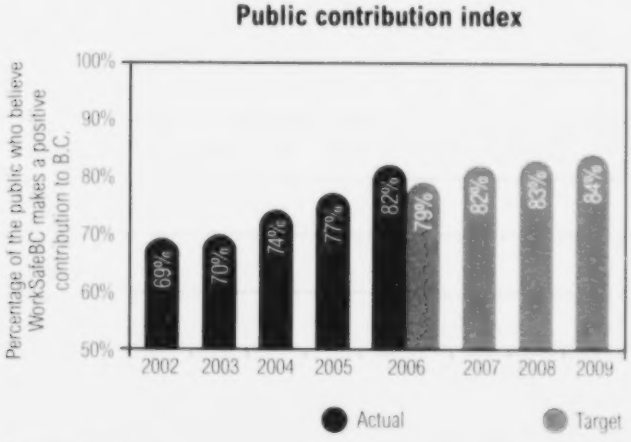
To help keep pace with increased demand for prevention services, including inspections, WorkSafeBC has hired additional prevention, rehabilitation, and adjudication staff.

In the coming year, WorkSafeBC will continue to reach out to employers and industry associations to support improved health and safety and disability management. WorkSafeBC is also building its Claims Management Solutions program (see page 86), which aims to streamline the claim process and services for workers and employers.

In the area of premiums, the average employer base rate for 2007 is projected to decrease by more than 15 percent since 2005, making it the lowest base premium rate in 30 years (see page 31). This should help improve employers' rating of overall experience. However, rising claim volume in fast-growing sectors will continue to challenge WorkSafeBC's ability to deliver service to employers.

WorkSafeBC is aiming for an overall experience score of 79 percent in 2007, and 80 percent in 2008 and 2009.

Key objective/performance indicator #7: Raise public confidence



Importance

WorkSafeBC strives to be recognized as an asset by all British Columbians and relies on their trust and support to improve workplace health and safety and return-to-work outcomes for injured workers. Increasing public confidence enables WorkSafeBC to deliver its safety message more effectively and build lasting partnerships in support of its strategic goals.

To measure public confidence, WorkSafeBC contracts Ipsos Reid to randomly survey 800 B.C. residents at least four times a year to see how they view WorkSafeBC and its contribution to the province. While a variety of factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think WorkSafeBC makes a positive contribution to the province.

Setting targets

The public contribution index is a relative measure with optimal performance defined by the drive to raise the index year over year, and by the comparison between WorkSafeBC's results and the results of other public and private organizations in B.C. that track their public contribution rating in a similar manner. WorkSafeBC recognizes that it may never reach a 100 percent positive rating, but strives to get as close as possible over time.

Performance highlights

WorkSafeBC's average public contribution rating reached an all-time high of 82 percent positive in 2006, which exceeded the target for the year and the 77 percent average positive rating in 2005. The increase is a continuation of a trend that has seen WorkSafeBC's rating climb steadily from a 51 percent positive rating in 1996.

Major programs and strategies

WorkSafeBC's public contribution rating is not tied to any specific group of programs or initiatives; rather it encompasses all aspects of the organization, including prevention, claim management and adjudication, education, return to work and rehabilitation, financial stability, and more. In essence, the rating is a reflection of everything WorkSafeBC does and a summation of its perceived value and contribution to the community.

Looking ahead

Building on the success achieved in 2006, WorkSafeBC aims to solidify its public contribution rating of 82 percent positive in 2007, and to reach an 83 percent positive rating by the end of 2008 and 84 percent by 2009.

In the years ahead, WorkSafeBC will face escalating demands due to increasing stakeholder expectations and anticipated economic growth in the province. Also, as public confidence in the organization grows, percentage point increases become more challenging to achieve. However, by providing high levels of service, building on its achievements, and continually looking for new opportunities to add value for its stakeholders, WorkSafeBC believes it can achieve its public contribution targets while reducing the injury rate.

WorkSafeBC's many safety initiatives — including its Forest Compliance Strategy, TruckSafe, funding of safety associations for high-risk industries, and various service enhancements such as Teleclaim (see page 86) — are expected to make a difference in driving down the injury rate and improving service outcomes for workers and employers.

During 2006, WorkSafeBC's societal change program focused not only on the high-risk industries, but also on young workers who make up 16 percent of the workforce and are the most at-risk worker demographic.[9] In the latter half of 2006, WorkSafeBC worked to raise awareness among workers aged 15 to 24 about their rights in the workplace and how they can be trained to protect themselves from workplace hazards. Radio advertising, posters, and a web site called DemandSafety.ca brought the safety message home to youth in graphic and arresting terms.

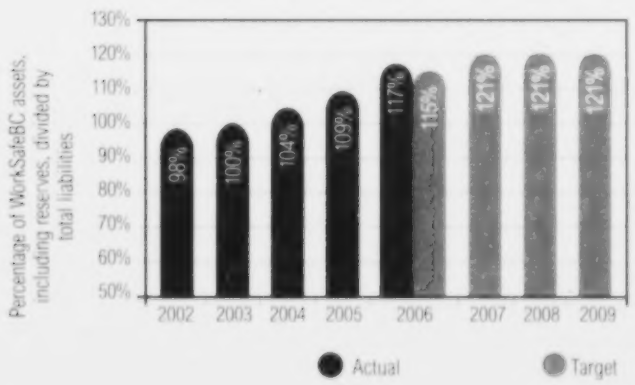
In 2007, WorkSafeBC will continue to engage in hard-hitting campaigns to capture attention and change attitudes and behaviours about workplace safety. WorkSafeBC will also continue to reach out to workers, employers, industry associations, and labour organizations to build shared ownership and responsibility for occupational health and safety and return to work.

Through these and many other ongoing service initiatives, WorkSafeBC will continue to increase public confidence in the organization and improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve an Accident Fund ratio in the range of 100 to 130 percent

Note: The information in this section is consistent with WorkSafeBC's funding policy of smoothing all realized and unrealized capital gains and losses over a five-year period, as opposed to the market value approach used in our financial statement reporting, which requires the immediate recognition of all capital gains and losses each year. WorkSafeBC's target funding range is also based on the smoothed accounting method. WorkSafeBC does not set a target range based on the market value approach, because market value results can change significantly year to year due to market volatility. (For more information on WorkSafeBC's funding policy, see Financial Context on page 7.)

Funded ratio (smoothed accounting basis)



Importance

WorkSafeBC's $10.5-billion Accident Fund (valued on a smoothed basis) represents the aggregate of its invested premiums and the net gains or losses on funds collected to cover the costs related to past injuries and disabilities. For example, a worker who suffered a severe injury in 2006 may still require financial assistance to cover medical costs and lost wages in 2007 and future years. The combined total of such future costs for all claims incurred in the current year and prior years is a liability against the value of the Accident Fund. The value of the Accident Fund assets (including reserves) divided by the total liabilities is known as the funded ratio.

When the funded ratio is too high (above 130 percent), it removes more money than necessary from the hands of employers — money they could otherwise use for investments, wage increases, expansion, or other initiatives. When the funded ratio is too low (below 100 percent), it effectively transfers the current liability cost burden to future generations of employers who will have to pay higher premiums to cover the difference.

Setting targets

WorkSafeBC strives to achieve a funded ratio in the range of 100 to 130 percent on a smoothed basis. Keeping the funded ratio within this range helps avoid wide swings in premium rates and improves the long-term ability of employers to remain competitive and plan for the future.

It is expected that future investment returns will be less favourable than those realized in recent years. WorkSafeBC must therefore maintain its capital reserves to cushion the impact of infrequent but periodic market declines. Otherwise the system could slip back into an unfunded position, which would lead to increased workers' compensation costs for present and future employers — making B.C. industries less competitive in the national and international forum. Prudent fiscal management dictates that the minimum funding target for the organization be at least 100 percent.

Performance highlights

At the end of 2006, the Accident Fund assets were 117 percent of fund liabilities, which was above target for the year and an increase from the funded ratio of 109 percent at the end of 2005.

The improvement in the funded status was driven by increases in premium and investment income, which both significantly exceeded 2006 plan levels. Actual 2006 benefit costs from normal operations were slightly lower than projected, primarily due to lower pension costs. However, a Supreme Court decision impacting long-term benefit eligibility (see page 8) added an additional $185 million (approximately 20 percent) to 2006 benefit costs. Without this additional cost, the year-end funded ratio would have been 119 percent on a smoothed basis.

Major programs and strategies

To help keep the funded ratio within the target range, WorkSafeBC maintains a conservative and diversified investment portfolio designed to provide a reliable, stable return with minimal risk to the system. Through this prudent investment strategy, WorkSafeBC provides reasonable assurance that, in the long term, investment returns should cover inflationary increases to benefit liabilities.[9] Over the past five years, ending December 31, 2006, WorkSafeBC's portfolio of investments has produced an average accounting rate of return of 5.3 percent.

To protect against sudden changes to the funded ratio, WorkSafeBC has a policy of smoothing realized and unrealized capital gains and losses over a five-year period.[20] This practice tends to reduce large swings in the funded ratio and employers' premiums, and helps WorkSafeBC stay within the target range. More detailed information on WorkSafeBC's funding strategy is provided in the Financial Context, beginning on page 7.

Besides investment returns, the other source of income that funds the system is employer premiums. To help ensure the timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential opportunities for savings. WorkSafeBC also investigates employers who default on their payments, and may initiate proceedings that could result in administrative penalties or court-imposed sanctions.

To reduce claim costs, which account for approximately 98 percent of all liabilities against the Accident Fund, WorkSafeBC partners with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see pages 20 to 22). And, when these unfortunate incidents do occur, WorkSafeBC aims to resolve claims in a timely manner and safely return injured workers to lasting employment — both of which play a major role in reducing claim costs (see pages 24 to 25).

Looking ahead

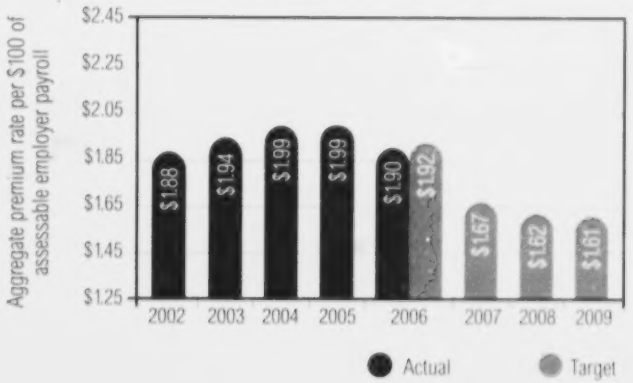
To maintain the funded ratio within its current range, WorkSafeBC will continue to focus on stable, reliable investment performance; the reduction of workplace injury, illness, disease, and death; and the safe and timely return to work of injured workers. However, the value of assets and liabilities is also influenced by a wide range of external factors that include economic growth, interest rates, inflation, and the severity of injuries.

Based on current data, WorkSafeBC's total assets, 93 percent of which are portfolio investments, are forecast to grow by approximately 5.5 percent in 2007. WorkSafeBC's total liabilities are forecast to grow by approximately 1.8 percent. The funded ratio of the Accident Fund is forecast to reach 121 percent in 2007 — a 23 percent improvement over the 2002 funded ratio of 98 percent. If current trends continue as expected, WorkSafeBC is projecting that the funded ratio will remain at 121 percent for 2008 and 2009.

Key objective/performance indicator #9: Attain an aggregate premium rate between $1.25 and $2.25

Note: This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate that is published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates, published in the WorkSafeBC rate and classification list, averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate in that it reflects the actual, rather than a projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate due to imbalances arising from the experience-rating plan and the abatement of pre-2000 surplus and interest to employers. This aggregate premium rate can be viewed as a collection rate in that it reflects the actual final premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.

Aggregate premium rate
(Rates shown are final for 2002 to 2005 and estimated for 2006 to 2009)[21]



Importance

WorkSafeBC collects premiums from employers to cover the cost of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, disease, and death, and workers receive no-fault insurance for work-related injury and disease. Employers' premiums vary depending on the cost of claims in their industry sector and the value of WorkSafeBC's total assets, but WorkSafeBC aims to maintain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll. If the aggregate premium rate goes above $2.25 it can put excessive financial strain on employers, and if it dips below $1.25 it can

weaken the long-term financial sustainability of the system (based on current financial conditions).

Setting targets

Across Canada, 2006 premium rates average around $2 per $100 of assessable payroll and range from $1.37 to $2.75 per $100 of assessable payroll. This variation is due to the mix of industries and benefit levels, as well as the funded status and coverage rules in specific jurisdictions. WorkSafeBC's target range of $1.25 to $2.25 is considered optimal in the present environment (including the present mix of industries), given the funded status range and premium levels in other jurisdictions. If the injury rate falls and injured workers are returned to work quickly, costs will drop — allowing premiums to decline as well.

Performance highlights

The average employer premium rate collected in 2006 was down 4.5 percent from 2005, and is projected to decrease by more than 12 percent in 2007. Rates are expected to be relatively stable at this level through to 2010.

In 2006, the estimated aggregate premium rate was $1.90 per $100 of assessable payroll, a 1 percent reduction from the target of $1.92 and a 4.5 percent decrease from the 2005 aggregate rate of $1.99. The reduction in the aggregate premium rate is in line with the reduction in WorkSafeBC's 2006 published base rate of $1.90, down from $1.97 in 2005.

The aggregate rate of $1.90 reflects another year of rate stability in B.C. and remains among the lowest rates in Canada (see page 82 for more information).

Overall, approximately 60 percent of employers experienced either a reduction or no change in their base premium rates in 2006, while 40 percent experienced an increase. Industries that saw their base rates go down significantly include hospitals, long-term and short-term care facilities, and wharf, marine terminal, and stevedoring operations — each of which saw a 30 percent reduction or more. Shipbuilding, universities, electric utilities, supermarkets, and industrial construction and trades also had significant rate reductions. Industries that saw their base premium rates go up include general retail, public school districts, department stores, telecommunication services, gas utilities, and general trucking.

Major programs and strategies

The aggregate premium rate is driven primarily by claim costs. To help reduce claim costs, WorkSafeBC works with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of workplace injury, illness, disease, and death; and facilitate safe and durable return to work as soon as possible after injury.

Some of the prevention activities undertaken by WorkSafeBC include educating and consulting workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and groups such as young workers (see pages 21 to 22 for more information).

Preventing injury and illness is the first and best strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim cost is claim duration. WorkSafeBC has a variety of strategies and programs in place to reduce the duration of claims and return injured workers to employment in a safe and timely manner. Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers who are referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs (see page 24 for more information).

The aggregate rate is also affected by WorkSafeBC's funded ratio, which is the value of WorkSafeBC's total assets divided by total liabilities. WorkSafeBC strives to maintain the funded ratio within a 100 to 130 percent target range (see page 30).

Looking ahead

In 2007, the estimated aggregate premium rate will decrease 12.1 percent from $1.90 per $100 of assessable payroll to $1.67. This will be the lowest rate in 30 years, and it reflects recent years' trends toward relatively stable injury rates and generally lower duration of injuries.

Base premium rates will decline for 68 percent of B.C.'s registered employers, remain unchanged for 10 percent, and increase for 22 percent. Rates will decline by 40 percent for hospitals and 20 percent for sawmills, paper mills, and firms engaged in industrial and residential construction. Rate reductions of at least 15 percent are also planned for firms engaged in road construction, general trucking, public schools, hotels, and supermarkets. Other industries that will see base rate reductions include general retail, universities, restaurants, and local governments. Industries that will see their base rates increase include gas utilities, department stores, ferry services, and various business services such as consulting, accounting, and clerical labour supply.

Further reductions will depend primarily on a lower injury rate, shorter duration of claims, and a higher return-to-work rate for injured workers, as well as external factors such as the performance of financial markets and the general mix of workers and businesses participating in B.C.'s growth.

Most future indicators are positive; however, a rise in the injury rate or a higher rate of growth among high-risk industry sectors

could put upward pressure on premium rates. To mitigate these and other risks, WorkSafeBC will continue to refine and enhance its prevention initiatives, return-to-work programs, financial investment strategy, and other areas that either directly or indirectly influence premium rates. Taking all such factors into consideration, WorkSafeBC is forecasting aggregate premium rates of $1.62 for 2008 and $1.61 for 2009.

Supplementary information

In order to determine the aggregate premium rate for the current year, WorkSafeBC must estimate both the premiums and assessable payroll for the current year. The aggregate rate quoted is then determined to be the premium estimate divided by the assessable payroll estimate, multiplied by 100. The premium estimate also enters into WorkSafeBC's financial statements as a major source of revenue in determining operating results for the current year.

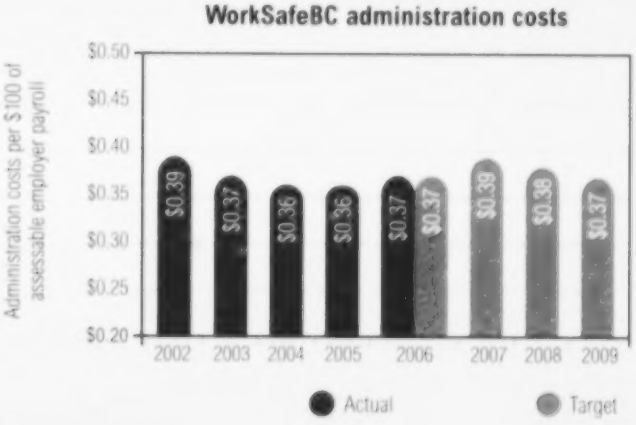
The final premiums and assessable payroll for the current year are not fully known until about May of the following calendar year. However, these values must be estimated based on the incomplete data available in January of the following calendar year. The data used includes both revenues received to date by WorkSafeBC and external measures of economic activity in the province of B.C. Given the inherent uncertainty of this process, WorkSafeBC takes a conservative approach to estimating the aggregate rate. Any difference resulting from this estimate is recognized in the financial statements for the following calendar year. The quoted actual aggregate rate is also restated in the following calendar year's annual report.

The following table compares the aggregate rate (or collection rate) originally estimated in the annual report for the indicated year with the final aggregate rate as determined in the subsequent calendar year.

Aggregate rate comparisons

	2001	2002	2003	2004	2005
Estimated aggregate rate at year-end	$1.77	$1.83	$1.92	$1.96	$1.99
Final aggregate rate	$1.78	$1.88	$1.94	$1.99	$1.99
Difference (rate)	–$0.01	–$0.05	–$0.02	–$0.03	$0
Difference (percentage)	–0.6%	–2.7%	–1.0%	–1.5%	0%

Key objective/performance indicator #10: Control administration costs (per $100 of assessable payroll)



Importance

WorkSafeBC strives to provide value to its stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its effectiveness in this area is by calculating its annual administration costs per $100 of assessable payroll. These costs are one of the key statistical measures collected and reported on by other Canadian workers' compensation organizations (based on a common definition of administration costs, with adjustments made to allow for operating and legislative differences — see Appendix B, page 80, for comparative information).[27] This measure allows WorkSafeBC to compare and monitor the overall cost of administering the workers' compensation system.

Setting targets

WorkSafeBC is committed to optimizing the cost-effectiveness of the services it delivers, but this does not always mean minimizing administration costs. For example, decreasing staff resources in Worker and Employer Services, the largest operating division of the organization, could lower administration costs but dramatically increase claim costs through longer rehabilitation times and lower return-to-work outcomes for injured workers.

Since all workers' compensation organizations face similar challenges, this measure is designed to track WorkSafeBC's performance relative to the weighted average of other workers' compensation systems in Canada.

Performance highlights

WorkSafeBC's administration costs increased slightly from $0.36 per $100 of assessable payroll in 2005 to $0.37 in 2006, which was on target for the year. The rate has been declining steadily in recent years, since reaching a high of $0.42 per $100 of assessable payroll in 2001.

Major programs and strategies

In 2006, WorkSafeBC undertook a number of initiatives to improve efficiency and streamline business processes. WorkSafeBC had originally budgeted for an increase of $19.1 million in administration costs. This amount was later increased by an additional $1.7 million to reflect a change in the classification of some project costs from capital to expense. The actual cost was about $5.3 million higher than the revised budget, due primarily to increased non-discretionary costs that included long-term disability and pension costs for staff. Of the year-over-year increase, $22.2 million qualified for inclusion in the administration costs per $100 of assessable payroll measure defined by the Association of Workers' Compensation Boards of Canada. Assessable employer payroll rose by $4.2 billion in 2006, which kept this key performance indicator on target for the year.

Looking ahead

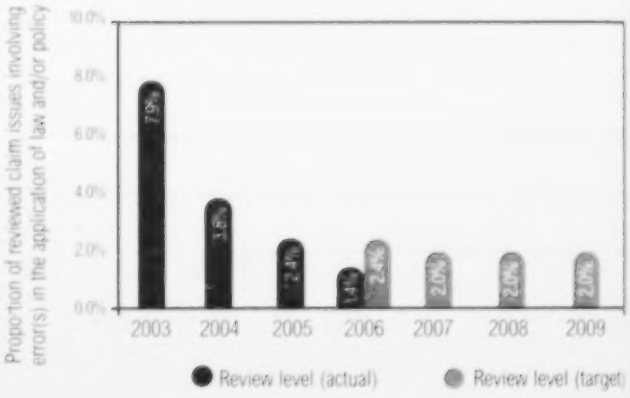
WorkSafeBC's Board of Directors has approved a $32.8 million (or 10 percent) increase to the organization's operating budget in 2007. The budget increase is necessary to cover non-discretionary increases (e.g., salary and benefits), service improvements, and new strategic initiatives. Assessable payroll is expected to increase by $2.5 billion, and WorkSafeBC's administration costs are expected to increase from $0.37 to $0.39 per $100 of assessable payroll in 2007 (see page 17, under "Setting annual targets").

In the first half of 2008, WorkSafeBC will roll out its new Claims Management Solutions program — an integrated, electronic-based suite of applications for handling claims, which is designed to improve service to stakeholders and streamline claim processes and systems in a cost-effective way. The implementation of the Claims Management Solutions program will result in administrative efficiencies that will help to lower WorkSafeBC's operating costs starting in 2008, with a full year's impact due in 2009 (see page 86). As always, WorkSafeBC's Board of Directors and Senior Executive Committee will monitor and evaluate the balance between administration costs and service quality, and adjust that balance in order to best meet the needs of its stakeholders.

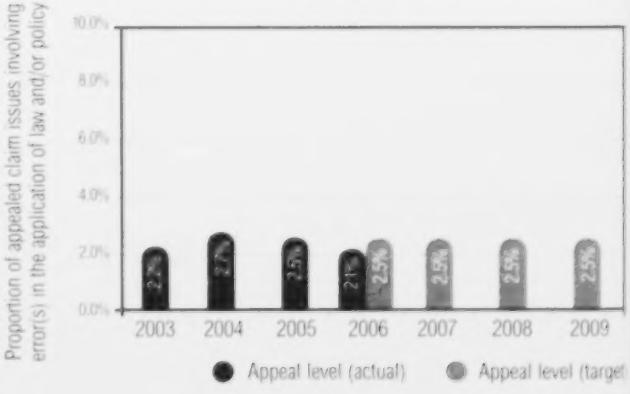
Key objective/performance indicator #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy* — Review Division (internal)



Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy* — WCAT (external)



**The Review Division and Workers' Compensation Appeal Tribunal (WCAT) both came into existence in March 2003, therefore the data for that year is only partial and there is no available data for years prior to 2003.*

Importance

WorkSafeBC employees make thousands of decisions on compensation, prevention, assessment, and rehabilitation matters every working day. The underlying goal is to arrive at the right decision by weighing evidence in a consistent manner and ensuring compliance with applicable law and policy. However,

since no law or policy can cover every possible situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

The vast majority of these decisions are accepted by all those involved, but workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. There are two levels of appeal for most decisions made by WorkSafeBC. The first is an internal review by WorkSafeBC's Review Division to ensure that disputed issues have been appropriately decided. The second is an appeal to the Workers' Compensation Appeal Tribunal (WCAT), which is a final external level of appeal for the WorkSafeBC matters it is authorized to hear and decide.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings are an indicator of the overall quality of WorkSafeBC's decisions and may highlight the need for policy reform, enhanced employee training, or further stakeholder education. With this in mind, WorkSafeBC tracks the number of issues at each level of review/appeal that led to overturned decisions due to error in WorkSafeBC's application of legislation and/or policy.

Setting targets

Upon review or appeal of WorkSafeBC issues, the Review Division or WCAT may reach a different decision on the basis of new information or the reweighing of existing information. This is part of the normal inquiry process and not necessarily indicative of erroneous decision making. WorkSafeBC also tracks the rate of error in the application of law and/or policy — the most objective measure of decision-making quality available.

While an error rate of zero is the ideal target, the current realities of staffing, claim complexity, claim volumes, training, timeliness, and coding precision limitations are barriers to meeting that objective. Therefore, the practical range, given current workloads and required timelines for review and appeal decision making, has been set between 1 and 3 percent for primary WorkSafeBC decisions being reviewed at the Review Division level and Review Division decisions being appealed at the WCAT level. These targets are reviewed annually and adjusted to reflect the factors listed above (see page 17, "Setting annual targets").

Performance highlights

In 2006, the Review Division reviewed a total of 11,302 issues, relating to 11,926 WorkSafeBC decisions. Of those issues, 201 (1.4 percent) led to overturned decisions due to a perceived error in WorkSafeBC's application of legislation or policy, which was better than the target for the year. WCAT ruled on 5,179 issues relating to 4,005 completed appeals of Review Division decisions. Of those issues, 108 (2.1 percent) led to overturned decisions due to a perceived error in legislation and/or policy.

To put these results in context, the Review Division upheld 73 percent of the issues it reviewed, 18 percent were allowed or allowed in part (decision overturned), and 9 percent were returned to WorkSafeBC (sent back to the initial decision-making division for further determination on the issue). Of the issues allowed or allowed in part (leading to overturned decisions), 59 percent were due to reweighing existing evidence, 33 percent were due to reweighing with new evidence, and 7 percent were due to error in law and/or policy.

Of the appeals completed by WCAT in 2006, 68 percent were upheld and 32 percent were allowed or allowed in part (decision overturned). Of the issues allowed or allowed in part, 69 percent were due to reweighing with new evidence, 24 percent were due to reweighing existing evidence, and 6 percent were due to an error in law and/or policy.

The tables on page 36 provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2006.[23]

Major programs and strategies

To ensure that decisions made under the *Workers Compensation Act* are consistent with appropriate legislation, regulation, and policy, WorkSafeBC undertakes a variety of programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and documentation.

WorkSafeBC also operates quality councils for compensation, prevention, and assessment decision making. These senior-level councils, which include representatives from various areas of WorkSafeBC as well as members of WCAT, review ongoing quality issues and develop recommendations for change. To complement this strategy, WorkSafeBC maintains working-level teams with organization-wide representation to help identify day-to-day quality concerns and develop and implement immediate and long-term solutions.

In 2006, WorkSafeBC's Review Division completed the implementation of a Quality Decision Review program that was first introduced in 2005. The program addresses the quality of the division's decision making, including the correct application of law and policy. As part of the program, review officers examine each others' draft decisions and provide constructive feedback before final decisions are released. Team managers and a quality assurance group also review selected decisions, either

before or after they are issued, to help facilitate adjudication and improve the overall quality of Review Division decisions.

In addition to these initiatives, WorkSafeBC continued to develop the Claims Management Solutions program, which is planned for release in 2008. While primarily aimed at improving the timeliness and efficiency of work, the new system will, over time, also assist with the quality and consistency of decision making across all levels of the organization (see page 86).

Review Division — Outcomes of top five issue groups reviewed in 2006
(represents 63 percent of all issues and does not include issues returned for further consideration during 2006)

Issue Group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,946	7	22	290	274
Entitlement to a permanent partial disability award	1,807	4	24	199	29
Acceptance of a claim for an occupational disease	1,154	3	0	58	46
Entitlement to compensation for a temporary partial disability	700	3	9	115	76
Entitlement to compensation for a temporary total disability	604	5	11	125	83

**Issue groups have been restated in plain language.*

WCAT— Outcomes of top five issue groups appealed in 2006
(represents 71 percent of all issues heard by WCAT in 2006)

Issue Group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	907	6	7	71	327
Entitlement to a permanent partial disability award	631	10	8	102	311
Acceptance of a claim for an occupational disease	361	3	5	33	132
Entitlement to compensation for a temporary partial disability	307	0	4	33	76
Entitlement to compensation for a temporary total disability	300	3	4	12	52

**Issue groups have been restated in plain language.*

Looking ahead

For primary decisions being reviewed at the Review Division level, WorkSafeBC is aiming to keep the decision overturn rate due to errors in the application of legislation and/or policy at or below 2.0 percent for the next three years. For Review Division decisions being appealed at the WCAT level, the target is to keep the rate at or below 2.5 percent for the same period. Although these targets are less favourable than the results achieved in 2006, they are considered nearly optimal if current trends continue as expected (see page 17, "Setting annual targets").

Of these trends, unanticipated spikes in claim and review volumes could put increased pressure on WorkSafeBC decision makers, thereby introducing additional errors in the application of law and policy. Ongoing training and quality-enhancing initiatives should mitigate this risk, and WorkSafeBC will continue to monitor claim and review volumes and add additional resources where necessary to match organizational capacity with workload demands.

EMPATHY GAINED THROUGH EXPERIENCE

Lonny Bouchard

HARD LESSON LEARNED

Lonny Bouchard is a construction industry specialist with WorkSafeBC. It's not the job he always had, not the job he ever imagined having, but it's one he now embraces.

In November 1997, working on a high-rise construction project in downtown Vancouver, Lonny fell one storey onto the steel rebar below. Had the rebar not been bent at a 90 degree angle, he would have been impaled — most likely killed. Instead he spent the next five months with his severely broken ankle in a cast. His condition failed to improve, and eventually a bone scan and subsequent MRI revealed that the break was more complex than originally diagnosed. He had, in fact, sheared the talus dome off his ankle joint — a debilitating injury inside the joint that's difficult to treat.

Lonny underwent additional rehabilitation and considered options for retraining. By now it was 2002: five years from his accident.

With retraining support from WorkSafeBC, Lonny completed a two-year occupational health and safety program at the British Columbia Institute of Technology. Following a short stint in the private sector as a safety coordinator, he joined WorkSafeBC in 2006.

"I know what it's like to go through the claim process, through rehab, and the emotional stress. I know what it's like to have to change the course of your life. Before my injury, I didn't care about health and safety. Now I want to make a difference, to share my story and contribute in a much bigger way."

Looking back, looking forward

As a child, Roberta Sheng-Taylor always knew her father's sheet metal workshop at the back of the house was off limits. What she and her father didn't realize was just how dangerous sheet metal could be.

It was the 1960s. Like many workers of the day, Robert Sheng worked without eye protection. When a piece of metal flew up and hit him in the eye, he paid a steep price. Ten days in the hospital couldn't save his damaged eye and he lost it.

"I didn't realize the impact the accident had on me at the time," says Roberta, "but I knew my dad didn't have full sight. I also knew he was in pain. Dad recovered remarkably well and adapted to his new one-eyed world, but from that day on I became passionate about safety."

At the age of seven, Roberta began building first aid kits and doing hazard assessments around the house. She already knew that one day she would work in the health and safety field.

Today, as a manager in WorkSafeBC's Industry and Labour Services department, Roberta draws heavily upon her own experience to raise awareness of the value of workplace safety in her work with labour, industry, and community groups.

"One oversight, one second of not paying attention, can change your life forever," says Roberta. "That's an incredible price to pay and I want people to know that it isn't worth it."

OUR FINANCES

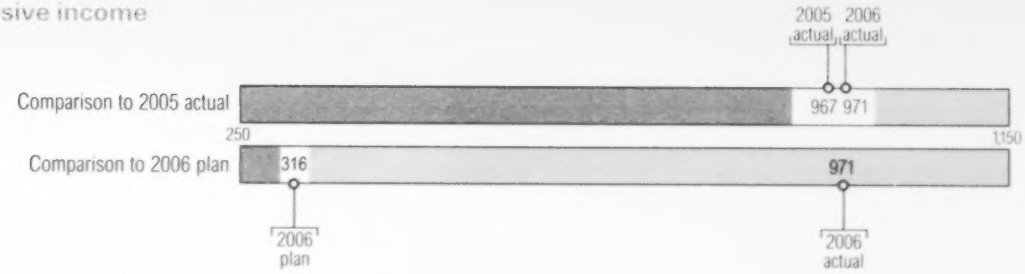
Management Discussion and Analysis

Overview of financial results

In 2006, WorkSafeBC reported total comprehensive income of $971 million after recording a one-time cost increase estimate of $185 million to reflect the costs stemming from a Supreme Court decision on benefit eligibility (see page 8). This result was marginally higher than the total comprehensive income of $967 million in 2005.

The 2006 result was $655 million favourable to plan primarily due to $831 million higher than planned investment income, $66 million higher premium income, and $77 million lower expenses. These favourable variances were offset by a $185-million non-recurring expense for the above-noted Supreme Court decision and a $134-million unfavourable variance in other comprehensive income. The market return of 11.6 percent in 2006 was significantly higher than the planned return of 4.6 percent, as financial markets unexpectedly achieved exuberant levels for a fourth straight year.

Total comprehensive income



2006 and 2005 financial highlights ($ millions)	2006 actual	2005 actual	Variance from 2005 actual	2006 plan	Variance from 2006 plan
Income	2,445	1,872	573	1,548	897
Expenses	1,273	1,398	125	1,350	77
Surplus before non-recurring expense	1,172	474	698	198	974
Non-recurring expense	185	—	(185)	—	(185)
Surplus from operations	987	474	513	198	789
Other comprehensive (loss) income	(16)	493	(509)	118	(134)
Total comprehensive income	971	967	4	316	655
Unappropriated balance at beginning of year	690	396	294	690	—
Add: Surplus from operations	987	474	513	198	789
Less: Appropriation to reserves	400	180	220	150	250
Unappropriated balance at end of year	1,277	690	587	738	539
Accumulated other comprehensive income at beginning of year	1,107	614	493	1,107	—
Other comprehensive (loss) income for the year	(16)	493	(509)	118	(134)
Accumulated other comprehensive income at end of year	1,091	1,107	(16)	1,225	(134)

Variance favourable by greater than 5% | Variance is within plus or minus 5% | Variance unfavourable by greater than 5%

Key financial drivers

There are four key drivers of WorkSafeBC's financial performance: employment and injury rate, short-term claim duration, inflation rate, and investment returns. Each driver operates independently to influence overall financial performance.

Employment and injury rate

2006: 3.12 (2005: 3.09; plan: 3.02)

By definition, work-related injuries arise in the course of employment. Growth in B.C.'s employment base and changes in the injury rate of various industries are the primary drivers of WorkSafeBC's business operations and the key determinants of the premium rates that employers pay. Over the past 10 years, annual employment growth in B.C. averaged 2.6 percent,[1] while the volume of claims declined an average of 1.5 percent per year, resulting in reductions to the injury rate over that

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period. B.C.'s average injury rate has stopped declining since 2003, largely due to a more rapid increase in employment in higher-risk industry sectors, particularly in construction. To respond to this challenge, WorkSafeBC has committed additional resources to target injury rate reductions in key industry sectors. Each 1 percent reduction in the number of injuries lowers system costs by approximately $10 million and, by extension, decreases the annual premium rate by approximately 1 percent.

Short-term claim duration

2006: 45.4 days (2005: 47.3 days; plan: 46.8 days)

Short-term claim duration is the average length, in days, of short-term disability benefits paid to injured workers. It is a key leading indicator of overall total claim costs and reflects the efficiency of WorkSafeBC's claim management systems and processes, the severity of injuries, and the speed of rehabilitation and return to work of injured workers. The lower the average duration, the lower the total claim costs and vice versa. It is estimated that each day of average short-term claim duration currently costs approximately $5.2 million in annual short-term disability payments alone.

Following a major reduction in staffing levels in 2003, WorkSafeBC experienced an increase in duration in 2004 as the provincial economy grew and claim volumes increased unexpectedly. In 2005 and 2006, however, WorkSafeBC was better able to match capacity to volume (even as claim volumes have continued to increase due to the strength of the economy) by refining business processes and adding targeted resources where required. As a result, duration went down in each of the last two years, with the average duration of 45.4 days for 2006 being the lowest level achieved since 1997 (see page 22).

Inflation rate

2006: 0.9% (2005: 2.6%; plan: 2.5%)

The inflation rate, as measured by the rate of increase in the Canadian consumer price index (CPI), is a major cost driver because WorkSafeBC's future short-term disability, long-term disability, and survivors' benefits are indexed by legislation against the annual increase in CPI as measured by the year-over-year October CPI. These benefits are indexed to inflation by legislative formula at CPI growth minus 1 percent, with a maximum of 4 percent and a minimum of zero (i.e., benefits cannot be reduced as a result of year-over-year CPI changes). Because the liabilities for these benefit categories total approximately $4.8 billion, every 1 percent increase in inflation, above the legislated threshold, costs approximately $48 million. B.C.'s workers' compensation benefit levels are generally in line with other Canadian provinces and territories.

The rate of increase in the CPI for the past 10 years has ranged from a low of 0.9 percent in 2006 to a high of 3.2 percent in 2002. No inflation adjustment was applied to benefit rates for 2006, as the year-over-year increase to October 2006 was 0.9 percent, meaning that the formula of CPI growth minus 1 percent would have resulted in a negative number, thus triggering the minimum adjustment of zero. Looking forward, WorkSafeBC's financial exposure to inflation risk is expected to remain within the 1 to 3 percent inflation-control target range set by the Bank of Canada's monetary policy.

Investment returns

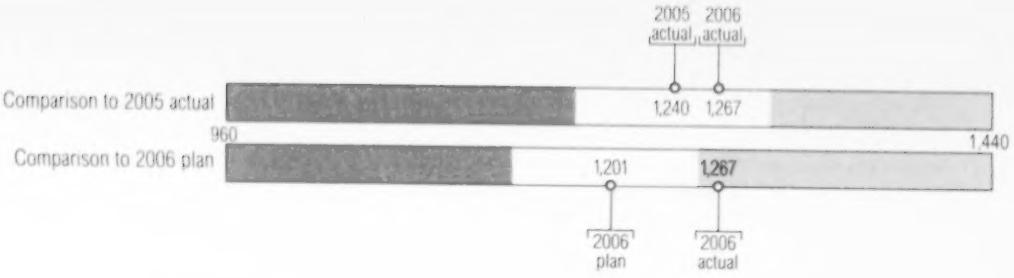
2006: 11.6% (2005: 12.5%; plan: 4.6 %)

WorkSafeBC is required by legislation to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current year and previous years.[2] To achieve this, WorkSafeBC assesses and collects employer premiums and invests those funds. Required premiums are calculated by discounting the expected future cash flows using an assumed real return over and above inflation. The premiums collected are invested with the objective of producing an expected long-term average real return of 3.5 percent over and above the CPI growth. In 2006, the required rate of investment return was therefore 3.5 percent plus the CPI growth of 0.9 percent, for a total of 4.4 percent. The actual market rate of return for 2006 was 11.6 percent, resulting in an excess return of 7.2 percent over the actuarially expected or required rate of 4.4 percent and 7.0 percent over the planned rate of return of 4.6 percent. Any excess return benefits the system by strengthening its funding ratio.

WorkSafeBC's investment returns for the past 10 years have averaged 8.3 percent compared with an average required annual return of 5.5 percent — an average of 2.8 percent per year above the required return. The performance of WorkSafeBC's investment portfolio has significantly improved the financial sustainability of the system. Based on the investment portfolio's market value at December 31, 2006, each 1 percent of investment return over or under the required return of CPI growth plus 3.5 percent translates to an excess or shortfall of approximately $115 million.

Revenues

Premium income



Premium income ($ millions)	2006 actual	2005 actual	Variance from 2005 actual	2006 plan	Variance from 2006 plan
Current-year estimate	1,215	1,193**	22	1,180	35
Prior-year adjustment	13	22	(9)	—	13
Abatement of pre-2000 subclass surplus	12	(18)	30	(19)	31
Penalties	5	5	—	7	(2)
Other adjustments	(13)	(11)	(2)	(12)	(1)
Rateable employers	1,232	1,191	41	1,156	76
Self-insured employers	35	49	(14)	45	(10)
	1,267	1,240	27	1,201	66

*Current-year estimates include levies for injury-reduction initiatives: 2006: $10 million; 2005: $7 million; 2006 plan: $8 million.
**Current-year estimate for 2005 adjusted to actual.

Base premium rate	$ 1.90	$ 1.97	$ (0.07)	$ 1.90	—
Aggregate premium rate	$ 1.90	$ 1.99	$ (0.09)	$ 1.92	$ (0.02)
Assessable payroll ($ billions)	$ 63.54	$ 59.32	$ 4.22	$ 60.83	$ 2.71

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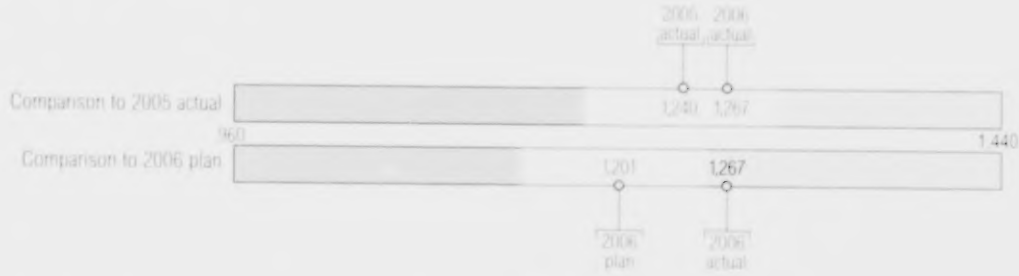
WorkSafeBC has two primary sources of revenue: premium income and investment income. Premium income totalled $1,267 million in 2006, an increase of $27 million over 2005 and $66 million higher than plan. This increase consisted of the following:

1. When adjusted to reflect the correct apportionment of premium income in their respective years, 2006 premiums increased by $22 million over 2005 and were $35 million higher than plan. The variance was due to a 7.1 percent increase in the 2006 assessable payroll, as a result of growth in the B.C. economy during the year. This increase was offset by a 1.5 percent decrease in premium rates in 2006 over 2005. The 2006 premiums were also underestimated in the plan due to a lower starting point which did not include the premium revenue under-accrued in the previous year, noted in point 2 below.

2. Premium receipts can vary after reporting primarily due to the fact that B.C. employers are not required to fully pay their premiums until after year-end; as a result, a sizable portion of the amount receivable at year-end is estimated and accrued. In 2006, $13 million of 2005 premiums were received by WorkSafeBC, over and above the amount accrued in 2005. The approximate 1 percent difference between actual receipts and the estimate was recognized as premium income in 2006. In 2005, $22 million of 2004 premiums were received over and above the amount accrued in 2004.)

3. The pre-2000 subclass surplus balance and interest credited in 2006 was $30 million lower compared with 2005 and $31 million less than plan. This was primarily due to the reversal, and return to the Accident Fund in 2006, of interest accrued on the surplus balances of cancelled employer accounts. The distribution of pre-2000 subclass surplus balances to eligible employers ended in 2004, except for a few remaining employers who will continue to receive credits until 2009. (For more information about the subclass surplus, see the first footnote to "Note 11 Premiums," on page 68.)

Revenues



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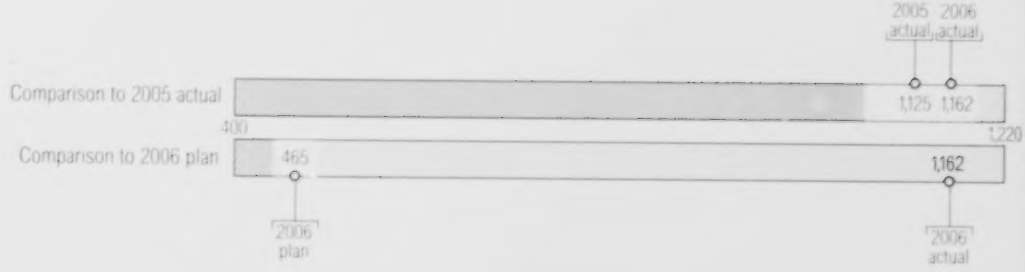
4. Other variances for rateable employers were penalties: no variance from 2005; $2 million lower than plan; and other adjustments to the 2006 premium income relating to prior years' premiums, including write-offs and negative adjustments to pre-2005 premiums collected: $2 million lower than 2005; $1 million lower than plan.
5. Assessments for self-insured employers were lower: $14 million lower than 2005; $40 million lower than plan; due to lower claim costs billed to these employers coupled with an increase in their proportionate share of WorkSafeBC's investment income.

Investment income

Investment income in 2006 totalled $1,178 million, which was $546 million higher than 2005 and $831 million higher than plan. The investment income category reflects income realized in the year, including the effect of currency hedges. Note that the annual business plans did not account for realized trading gains and losses within the various pooled funds, which are allocated to WorkSafeBC at year-end. The amount to be allocated each year is dependent on the trading gains or losses experienced in the pooled funds and the portion of the capital gains distributed to unit holders by the British Columbia Investment Management Corporation (bcIMC), the fund manager. WorkSafeBC does not, as a rule, include an estimate of the capital gains and losses distribution for planning purposes, since it has no way of forecasting trading activities of the fund manager; the distribution accounts for $647 million of the favourable variance from plan. It should be noted that the distribution effectively reallocates other comprehensive income to investment income and hence has no impact on the total realized and unrealized net investment gains of the portfolio.



Investment income and other comprehensive income ($ millions)	2006 actual	2005 actual	Variance from 2005 actual	2006 plan	Variance from 2006 plan
Coupon and dividend income	315	274	41	286	29
Realized net (losses) gains on sale of fixed-income instruments	(26)	140	(166)	—	(26)
Realized net gains on sale of other instruments	907	220	687	—	907
Realized net gains on sale of derivative instruments	7	51	(44)	—	7
Unrealized net (losses) gains on held-for-trading investments	(25)	(53)	28	61	(86)
Investment income	1,178	632	546	347	831
Other comprehensive (loss) income	(16)	493	(509)	118	(134)
Total	1,162	1,125	37	465	697
Market return on portfolio of investments	11.6%	12.5%	(0.9%)	4.6%	7.0%

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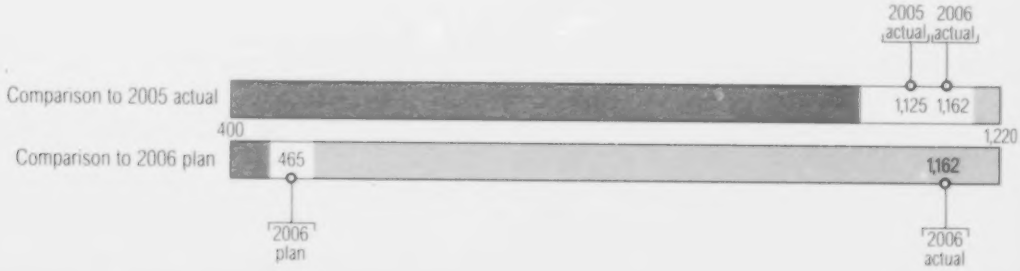

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Global equity markets posted solid gains in 2006, supported by robust corporate earnings growth, record-high commodity prices, and increasing merger and acquisition activities. Despite increases in interest rates throughout 2006, particularly at the short end of the yield curve, the bond markets managed to deliver modest gains for the year. Total 2006 market return for the portfolio of investments was 11.6 percent versus 12.5 percent for 2005. The 2006 results exceeded WorkSafeBC's policy return benchmark of 10.5 percent for the year. The 1.1 percent return above the benchmark translates to $110 million.

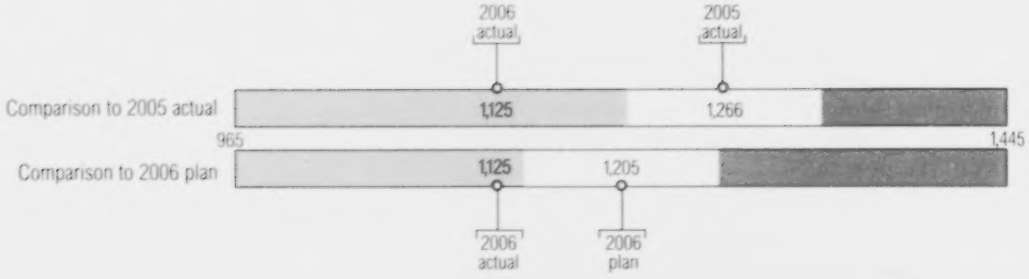
1. Higher short-term interest rates and increased short-term investments together with improved dividend payments resulted in an increase in earned income, which was $41 million higher than 2005 and $29 million higher than plan.
2. Management of WorkSafeBC's fixed-income investment portfolio was transferred to bcIMC at the end of 2005, and WorkSafeBC's government bond and corporate bond holdings were invested in separate bcIMC pooled funds as part of that transfer. During 2006, a further transfer of these bond investments into a newly constituted bond fund, invested in government and corporate bonds and managed by bcIMC, triggered a realized loss of $26 million. In 2005, trading activity generated realized gains of $88 million; and the transfer of fixed-income investment management to bcIMC at the end of 2005 resulted in a non-recurring gain of $52 million when bonds held were transferred at market value. The 2006 plan did not anticipate the sale of units of fixed-term pooled fund products.
3. The $907-million realized net gains on sale of other instruments in 2006 consist of $260-million gains from the sale of equity and real estate investments and $647-million trading gains distributed to WorkSafeBC from investments in various pooled funds.

   The portfolio asset mix was rebalanced during the year, mainly to reduce Canadian equity holdings, which through robust market appreciation had become overweighted against the policy range. Realized gains from the sale of units of equity and real estate pooled fund products totalled $260 million in 2006, which was $227 million higher than the $33-million gain realized from sale transactions that occurred in 2005. Also included in the net gains on sale of other instruments were net accumulated annual gains and losses realized from trading activities within the various pooled funds, which are allocated to WorkSafeBC at year-end. Net accumulated annual gains from trading activities within the various pooled funds totalled $647 million in 2006 compared with $187 million in 2005, an increase of $460 million. The $907 million favourable variance from the plan can be explained by the fact that as a rule, for planning purposes, the organization does not anticipate the sale of units of equity and real estate pooled fund products, nor does it anticipate WorkSafeBC's allocated share of net trading gains and losses realized within the various pooled funds, which is determined by the fund manager.
4. Gains realized from the sale of derivative instruments, which consisted of U.S. dollar- and euro-denominated forward exchange contracts, were $7 million, compared with $51 million in 2005. The lower realized gains were due primarily to the change from an active to a passive hedging strategy after the fixed-income investment portfolio management was transferred to bcIMC at the end of 2005, and the unwinding of the euro forward hedging positions during 2006. Unrealized net losses on held-for-trading investments, which consisted solely of derivative instruments, were $28 million favourable compared with 2005, but $86 million unfavourable compared with plan. The unfavourable variance to plan was due primarily to the strength of both the euro, which appreciated almost 12 percent against the Canadian dollar in 2006, and the U.S. dollar which ended the year flat, versus the original forecast of lower values for both currencies.
5. Other comprehensive income was $509 million and $134 million lower than 2005 actual and 2006 plan, respectively. Note that other comprehensive income represents net unrealized market value gains from available-for-sale portfolio investments, after adjusting the book value of these investments to reflect the investment income and capital gains and losses attributed to WorkSafeBC from its investment in various pooled fund products, including the $647 million that was allocated at the end of 2006. As noted above, the allocation was $460 million higher than in 2005 and was not accounted for in the 2006 plan. Without this allocation, the net unrealized market value gains from available-for-sale portfolio investments would have been $663 million in 2006 and $680 million in 2005.

   The other comprehensive income line item in the statement of operations appears below the operating results line, indicating that it should be viewed in a different context from normal operations. The unrealized market value gains represent market valuations of portfolio investments as at the balance sheet date, and these gains are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations that extend for many years into the future, the valuation of these investments at a point in time provides a view of the financial position of WorkSafeBC at only that point in time. Short-term changes in financial markets could produce significant variations in this line item from year to year. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities.

Expenses

Claim costs



Claim costs ($ millions)	2006 actual	2005 actual	Variance from 2005 actual	2006 plan	Variance from 2006 plan
Current-year claims	973	932	(41)	952	(21)
Indexation cost	364	498	134	497	133
Prior-period claim liability adjustments	(212)	(164)	48	(244)	(32)
	1,125	1,266	141	1,205	80
Non-recurring claim costs	185	—	(185)	—	(185)
	1,310	1,266	(44)	1,205	(105)

Consumer price index	0.9	2.6	1.7	2.5	1.6
Estimated person-years worked	1,950,000	1,890,000	(60,000)	—	—
Estimated injury rate (per 100 person-years)	3.12	3.09	(0.03)	3.02	(0.10)
Estimated new injuries	61,074	58,470	(2,604)	—	—
Average weekly wage of all claimants	$ 726	$ 712	$ (14)	—	—
Duration of claims (average days on wage-loss benefits)	45.4	47.3	1.9	46.8	1.4

*Data excludes health-care-only claims

Variance favourable by greater than 5% | Variance is within plus or minus 5% | Variance unfavourable by greater than 5%

WorkSafeBC's claim costs comprise three primary elements:

1. *The cost of current-year claims including both the amounts paid in the year and actuarially determined estimates of future costs of these claims*

Current-year claim costs were $41 million, or 4.3 percent, higher than 2005 and $21 million, or 2.2 percent, higher than plan. The unfavourable year-over-year variance was due to an increase in the volume of claims of 2.6 percent, and an increase in the 2006 average cost per claim of 1.7 percent over 2005. The 1.7 percent increase reflects the net impact of higher claimant wages and health care unit costs partially offset by lower duration of claims. WorkSafeBC has made significant commitments to lower the injury rate and reduce average short-term claim duration over the coming years, in order to reduce the frequency and severity of injuries and improve return-to-work outcomes.

2. *The indexation cost reflecting the actuarial discount rate of 3.5 percent plus CPI growth*

In 2006, the cost of indexation totalled $364 million, which was a decrease of $134 million over 2005 and $133 million lower than plan. The primary determinant of indexation costs is the level of CPI growth, which stood at 0.9 percent in 2006. This compares with the 2005 CPI growth of 2.6 percent and the 2006 plan assumption of 2.5 percent. Thus, the

opening benefit liability at January 1, 2006, of $8.6 billion generated an interest accretion cost in 2006 of $364 million by increasing at the level of CPI growth plus 3.5 percent discount rate, or approximately 4.4 percent. This $364 million represents an embedded cost in 2006 generated exclusively as a result of discounting in determining the benefit liability, regardless of whether other actuarial assumptions regarding underlying payment patterns materialize.

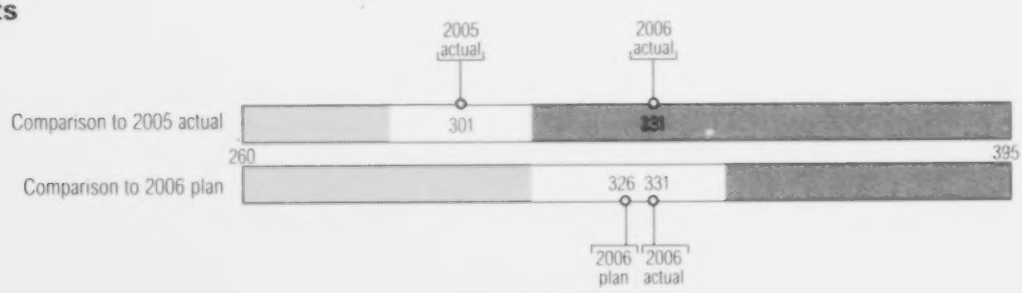
3. *Adjustments to actuarially determined estimates of future claim costs for prior-period claims*

Changes in the pattern of claim costs experienced currently can increase or decrease the likely costs of claims arising from past years' claims. Increases in the cost of medical treatment or longer life expectancy among those with permanent disabilities, for example, can increase the claim liabilities for past years' claims. Other changes, such as an improved pattern of rehabilitation and return-to-work outcomes, reduce prior-year claim liabilities.

The favourable adjustment of $212 million on prior-period claim liabilities was primarily as a result of actuarial gains on the unfinalled claim liability for long-term disability, vocational rehabilitation, and, to a lesser extent, short-term disability. The adjustment was $48 million higher than 2005, but $32 million lower than plan. About three-quarters of this $212-million gain was generated as a result of the decline in the most recent five-year average cost experience used to set the liabilities. This decline resulted from higher costs in 2001 being replaced by relatively lower 2006 costs as part of the average. The other major component of the gain resulted from payments and awards made in 2006 at lower levels than anticipated in the unfinalled claim liability at December 31, 2005.

Offsetting the favourable adjustment was a one-time unfavourable cost increase estimate of $185 million made in 2006 to reflect the costs stemming from a 2006 Supreme Court of B.C. decision on how the deterioration of a permanent disability should be compensated. This $185 million represents both the cost of reassessment of claims previously adjudicated, prior to the Supreme Court decision, and the projected cost of the implementation of the revised policy to all future decisions related to new deteriorations of applicable permanent disability injuries. Additional information on the Supreme Court decision is provided on page 8.

Operating costs



Operating costs ($ millions)	2006 actual	2005 actual	Variance from 2005 actual	2006 plan	Variance from 2006 plan
Administration costs	287	264	(23)	284	(3)
Amortization of capital assets	34	30	(4)	34	—
Injury-reduction initiatives	10	7	(3)	8	(2)
	331	301	(30)	326	(5)
Less: Claim administration payments	183	169	(14)	181	(2)
	148	132	(16)	145	(3)

Variance favourable by greater than 5% | Variance is within plus or minus 5% | Variance unfavourable by greater than 5%

Expenses

	2006 actual	2005 actual	Increase (decrease) from 2005 actual	2006 plan	Increase (decrease) from 2006 plan
Current-year claims	973	932	(41)	952	(21)
Indexation cost	364	498	134	497	133
Prior-period claim liability adjustments	(212)	(164)	48	(244)	(32)
	1,125	1,266	141	1,205	80
Non-recurring claim costs	185	—	(185)	—	(185)
	1,310	1,266	(44)	1,205	(105)

Consumer price index	0.9	2.6	1.7	2.5	1.6
Estimated person-years worked	1,950,000	1,890,000	(60,000)	—	—
Estimated injury rate (per 100 person-years)	3.12	3.09	(0.03)	3.02	(0.10)
Estimated new injuries	61,074	58,470	(2,604)	—	—
Average weekly wage of all claimants	$ 726	$ 712	$ (14)	—	—
Duration of claims (average days on wage-loss benefits)	45.4	47.3	1.9	46.8	1.4

WorkSafeBC's claim costs comprise three primary elements:

1. *The cost of current-year claims including both the amounts paid in the year and actuarially determined estimates of future costs of these claims*

Current-year claim costs were $41 million, or 4.3 percent, higher than 2005 and $21 million, or 2.2 percent, higher than plan. The unfavourable year-over-year variance was due to an increase in the volume of claims of 2.6 percent, and an increase in the 2006 average cost per claim of 1.7 percent over 2005. The 1.7 percent increase reflects the net impact of higher claimant wages and health care unit costs partially offset by lower duration of claims. WorkSafeBC has made significant commitments to lower the injury rate and reduce average short-term claim duration over the coming years, in order to reduce the frequency and severity of injuries and improve return-to-work outcomes.

2. *The indexation cost reflecting the actuarial discount rate of 3.5 percent plus CPI growth*

In 2006, the cost of indexation totalled $364 million, which was a decrease of $134 million over 2005 and $133 million lower than plan. The primary determinant of indexation costs is the level of CPI growth, which stood at 0.9 percent in 2006. This compares with the 2005 CPI growth of 2.6 percent and the 2006 plan assumption of 2.5 percent. Thus, the

ng benefit liability at January 1, 2006, of $3.6 billion generated an interest accretion cost in 2006 of $361 million ncreasing at the level of CPI growth plus 3.5 percent discount rate, or approximately 4.4 percent. This $361 million presents an embedded cost in 2006 generated exclusively as a result of discounting in determining the benefit liability, regardless of whether other actuarial assumptions regarding underlying payment patterns materialize.

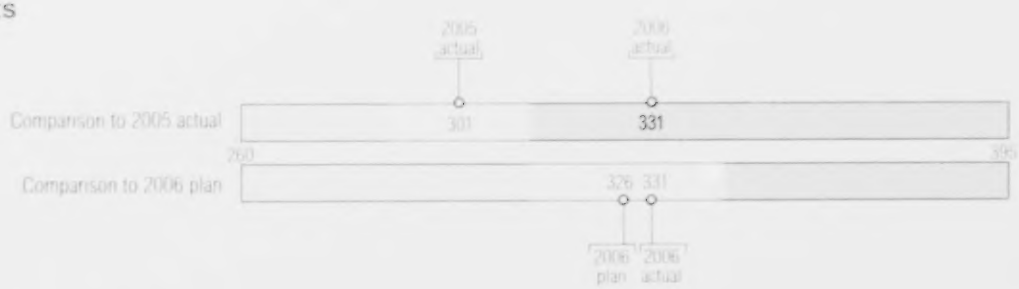
3. Adjustments to actuarially determined estimates of future claim costs for prior-period claims

Changes in the pattern of claim costs experienced currently can increase or decrease the likely costs of claims arising from past years' claims. Increases in the cost of medical treatment or longer life expectancy among those with permanent disabilities, for example, can increase the claim liabilities for past years' claims. Other changes, such as an improved pattern of rehabilitation and return-to-work outcomes, reduce prior-year claim liabilities.

The favourable adjustment of $212 million on prior-period claim liabilities was primarily as a result of actuarial gains on the unfinalled claim liability for long-term disability, vocational rehabilitation, and, to a lesser extent, short-term disability. The adjustment was $43 million higher than 2005, but $32 million lower than plan. About three-quarters of this $212-million gain was generated as a result of the decline in the most recent five-year average cost experience used to set the liabilities. This decline resulted from higher costs in 2001 being replaced by relatively lower 2006 costs as part of the average. The other major component of the gain resulted from payments and awards made in 2006 at lower levels than anticipated in the unfinalled claim liability at December 31, 2005.

Offsetting the favourable adjustment was a one-time unfavourable cost increase estimate of $135 million made in 2006 to reflect the costs stemming from a 2006 Supreme Court of B.C. decision on how the deterioration of a permanent disability should be compensated. This $135 million represents both the cost of reassessment of claims previously adjudicated, prior to the Supreme Court decision, and the projected cost of the implementation of the revised policy to all future decisions related to new deteriorations of applicable permanent disability injuries. Additional information on the Supreme Court decision is provided on page 33.

Operating costs



Administration costs	287	264	(23)	284	(3)
Amortization of capital assets	34	30	(4)	34	–
Injury reduction initiatives	10	7	(3)	8	(2)
	331	301	(30)	326	(5)
Less: Claim administration payments	183	169	(14)	181	(2)
	148	132	(16)	145	(3)

There is an important connection between WorkSafeBC's operating costs, the level of service provided to stakeholders, and the overall financial performance of the organization. To effectively manage and administer the workers' compensation system and meet stakeholder needs, WorkSafeBC must invest to improve productivity, service, and efficiency.

WorkSafeBC's operating costs totalled $331 million in 2006: $30 million higher than in 2005 and $5 million higher than plan. Increases in salaries and employee benefits accounted for $19 million of the increase over 2005 and $11 million over plan. Operating under the guidelines of the provincial government's Public Sector Employers' Council (PSEC), a general wage increase of 2.66 percent was determined and signing bonuses of $3,700 per employee were paid (a total of $10 million in signing bonuses was paid out to 2,835 staff, excluding executives). The signing bonuses were consistent with those paid in other public sector collective bargaining agreements negotiated prior to April 1, 2006. These amounts compared with wage increments of 1.5 percent in 2005. These increases were offset by savings from other payroll-related costs. Included in the variances for salaries and employee benefits were increases in staff pension expenses ($10 million higher than 2005 and $8 million higher than plan); and increases in staff long-term disability (LTD) expenses ($5 million higher than both 2005 and plan). The increases in staff pension and LTD expenses were due to actuarial reassessments of expected future costs.

The unplanned increases were offset by expenses that were $4 million lower than planned for retirees' medical benefits and workers' compensation claim costs by WorkSafeBC employees. Other significant increases in operating costs for 2006 included increased investment in injury-reduction initiatives, which was $3 million higher than 2005 and $2 million higher than plan. Other administration costs were $4 million higher than 2005, but $4 million lower than plan.

Estimates

Based on assumptions that reflect the most probable set of economic conditions and planned courses of action (as at the financial statement date), WorkSafeBC's financial statements include management's best estimates of the reported amounts of its assets and liabilities, as well as its reported amounts of income and expenses during the reporting periods. Measurement uncertainty, as defined by Canadian generally accepted accounting principles, exists when there is a variance between the recognized amount and another reasonably possible amount, and actual results may differ by a significant amount from those estimated in the financial statements. The two most significant financial statement items that contain measurement uncertainties are accrued premiums and claim benefit liabilities.

Accrued premiums

The final premium amount accrued for the current assessment year is not fully known until May of the following calendar year when the majority of employers will have submitted their final premium reconciliation statements. Therefore, in order to meet the reporting deadline of March 25 specified in the *Workers Compensation Act*, this value must be estimated based on the incomplete data available as of January of the following calendar year.

The data used in making this estimate includes both revenues received by WorkSafeBC until the end of January of the following year (the last assessment month-end prior to the substantial completion date of the audit) and external measures of economic activity in the province of B.C. Due to the uncertainty inherent in this process, WorkSafeBC has historically taken a prudent, conservative approach in making this estimate. Any difference between the final remittances from employers and the accrued amount resulting from this estimate is recognized in the financial statements the following calendar year as premium income for that year.

The table on page 49 shows the recent history of premium estimates and compares them with the actual premiums ultimately determined.

Estimated premium income					
($ millions)	2001	2002	2003	2004	2005
(a) Estimated at year-end	945	1,000	1,075	1,160	1,180
(b) Final	963	1,033	1,100	1,182	1,193
(c) Amount underestimated ($)	–18	–33	–25	–22	–13
(d) Percentage underestimated (%)	–1.9%	–3.2%	–2.3%	–1.9%	–1.1%

Benefit liabilities

Benefit liabilities represent an estimate of the present value of future payments to be made on existing claims, and are calculated on the basis of actuarial assumptions. These actuarial assumptions are generally based on actual recent claim experience. However, future payments for long-term claims have a very long duration with an average expected payment period extending about 20 years into the future and a potential "payment life" on some claims of more than 50 years. The actuarial duration of liabilities for WorkSafeBC is calculated as approximately 12 years. "Duration" in this sense represents the average number of years of future payments for claims that the present value of liabilities equates to after discounting future payments. There is a risk that the actual recent experience used for setting the actuarial assumptions may not endure for the entire period for which current claims are paid, which could result in changes in the liability estimate.

The two most important assumptions underlying the liability estimates are the discount rate and the future payment pattern.

Discount rate

The primary economic assumption is that future investment income will be earned on amounts held to meet the liability at an annual rate of CPI growth plus 3.5 percent for each year into the future. As a result, the liability is theoretically calculated assuming a discount rate of CPI growth plus 3.5 percent. However, due to the fact that the CPI is difficult to forecast, this factor is removed from both sides of the equation so that the effective discount rate is 3.5 percent, which is generally referred to as the expected real rate of return (i.e., nominal return less CPI growth). If actual future investment performance consistently falls below the 3.5 percent real return assumption, the liability estimate would be understated. Specifically, for each 1 percent annual shortfall in the future actual investment returns, the rule of thumb measure of the impact on liabilities is that those liabilities, by virtue of their duration of 12 years, will be underestimated by approximately 12 percent of the total $8.8 billion liability, or about $1.1 billion.

Future payment pattern

WorkSafeBC's benefit liabilities consist of two major categories, each of which incorporates an estimate of what the future pattern of payment will be:

- Pension awards, capitalized values — This is the present value of monthly annuities that have already been awarded to claimants (long-term disability) or to survivors of deceased claimants. The potential estimation error in this $4.1 billion liability is relatively small and is based on whether the lifespan of these annuitants varies from the actuarial assumptions used.
- Provision for unfinalled claims — This is the present value of future payments on existing claims that have not yet been awarded. This encompasses five types of benefits: short-term disability, long-term disability, survivor benefits, health care, and vocational rehabilitation, as well as a provision for the administration costs of future claims (which are required to adjudicate and process these future payments).

This unfinalled claim liability is generally calculated by assuming that the average payment pattern observed over the last five calendar years is representative of the future award and payment patterns that will emerge on existing claims over the next 50 years. There is, however, a significant uncertainty in this key assumption. Historical experience has shown that payment patterns can vary substantially over time. The underlying factors that influence this change can include changes in claimant demographics, changes in injury severity, changes in adjudication practices, changes in appeal procedures, and/or socio-economic factors in society at large.

The long-term disability component of the unfinalled claim liability, which constitutes $2.4 billion or about 50 percent of this $4.7 billion liability, has historically proven to be somewhat volatile in this respect. Although it is not possible to determine an exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests that the expected uncertainty could be in the range of 20 percent (plus or minus), or about $0.9 billion of liability.

The payment patterns of both the pension and unfinalled claim categories of claims could be impacted by decisions of the provincial government. A case in point is the recent government announcement regarding legislation to eliminate mandatory retirement. If the present legislative provisions regarding benefits at and beyond age 65 were to be altered to conform to the elimination of mandatory retirement provisions, there would be an appreciable impact on the pattern of pensions in payment and on future awards.

Gain and loss analysis (for rateable employers)

($ millions)	2006	2005	Increase (Decrease)	Five-year total increase (decrease) 2002–2006
a) Premium revenue excess over current-year costs	148	168	(20)	447
b) Investment income greater (less) than liability requirements — smoothed basis	453	87	366	(69)
c) Lower actuarial liabilities than previously anticipated	255	210	45	400
d) Extraordinary adjustments to (decrease) increase liabilities	(176)	—	(176)	297
Operating surplus — smoothed basis	680	465	215	1,075
e) Difference in basis for reporting investment income	307	9	298	272
Operating surplus — fair value	987	474	513	1,347

Gain and loss analysis

The gain and loss analysis isolates the major components contributing to operating results. The above table compares 2006 and 2005 underwriting results for rateable employers. Also shown are the aggregate gain and loss elements for the past five years in order to provide a broader perspective on recent financial results.

a In 2006, premium income exceeded the cost of current-year injuries by $148 million. This was lower than the comparable result for 2005. The $20-million decrease was primarily due to a lower positive adjustment (net of write-offs) to prior years' premium income ($13 million in 2006 compared with $30 million in 2005) and a higher provision for doubtful accounts recognized in 2006. Note 12 (page 69) of the financial statements shows further details of this decrease. Since premium rates are set using the most recent three years' weighted injury rates and cost rates, premium rates usually lag behind (are higher/lower than) the actual experience in periods of declining/rising injury and cost rates. Therefore, premium rates for 2006 do not fully reflect the most recent injury rate and average claim cost trends.

b Investment income calculated on the smoothed basis in 2006 exceeded actuarially required returns. The smoothed return in 2006 was 9.4 percent compared with 7.2 percent in 2005. Market returns for 2006 were 11.6 percent compared with 12.5 percent in 2005.

c Adjustments to previously estimated actuarial liabilities occur when subsequent actual cost experience provides a basis for making those adjustments. In addition, this component includes miscellaneous prior years' interest items. Disclosure of 2006 adjustments is contained under the third part of the claim costs section on page 47.

d There was a $185-million non-recurring cost relating to a Supreme Court decision of May 5, 2006, which clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. The portion of this cost for rateable employers was $176 million. Additional information on the Supreme Court decision is provided on page 8.

e A portion of total realized and unrealized market gains (net), representing the annual amortization of total realized and unrealized market gains, accumulated over the last five years, is included in investment income used to derive item b. In reconciling operating income on the smoothed basis to the reported fair value operating surplus, WorkSafeBC deducts the amortized realized and unrealized market gains from the smoothed operating surplus, then adds the total gains realized in the year and total unrealized gains for derivative financial instruments (which are classified as held-for-trading).

Risks

Risk management

Like any organization, WorkSafeBC is susceptible to risks that, if unmitigated, could lead to significant financial consequences. WorkSafeBC has established financial expenditure controls, policies, and processes to assist in containing risks. An internal audit department, which reports to the Audit Committee of the Board of Directors, regularly carries out operational and control audits to test for compliance.

In addition to the above, the Audit Committee and the Board of Directors are provided with annual reporting on major key risk factors and the organization's assessment of the potential impact and likelihood of occurrence of the identified risks. This assessment is generated through an enterprise risk management (ERM) framework modelled after best practices of the Australia/New Zealand standard for risk management and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework, whose sponsors comprise the Institute of Internal Auditors, the American Institute of Certified Public Accountants, the American Accounting Association, the Institute of Management Accountants, and the Financial Executives Institute.

Of the four key financial drivers discussed on page 41, benefit costs and investment performance are the drivers that have potentially critical consequences if not adequately controlled for risk.

Benefit cost risks

Benefit costs, especially those related to the high-cost injuries that lead to long-term disability, are susceptible to many variables, including employers' return-to-work practices, WorkSafeBC's effectiveness in processing claims, and appellate decision results. In the past, the appellate decision variable has been the most unpredictable and costly risk factor. The number of appeals pending resolution at the Workers' Compensation Appeal Tribunal at the end of 2006 totalled 3,971, compared with 4,960 at the end of 2005, 9,944 at the end of 2004, and 15,708 at the end of 2003. This substantial reduction has allowed WorkSafeBC to factor the results into its actuarial estimates of liability and thus reduce the unknown risk factor to more predictable levels.

Another benefit cost risk is an uncontrollable risk related to the potential for change to legislated benefits or expanded coverage of diseases, especially if applied retroactively. Issues such as mandatory retirement, chronic pain, and work-related stress have been addressed by other provincial legislatures and could carry substantial financial liability risk if introduced in B.C. Also, the risk of diseases such as severe acute respiratory syndrome (SARS) and pandemic influenza (perhaps arising from the avian influenza virus) could affect large portions of the working population and thereby significantly increase benefit costs. While risks of these types are not controllable, WorkSafeBC has a previously established reserve for latent occupational disease and, in 2006, established a general reserve for special circumstances that have significant cost implications, including potential legislated benefit changes and court decisions.

Investment performance

WorkSafeBC's investment policy shapes a prudent portfolio allocation of 45 percent equities, 45 percent fixed income, and 10 percent real estate. The Board of Directors is responsible for setting WorkSafeBC's investment policy. While the policy takes into account the duration of liabilities, it does not attempt to match asset duration to liabilities. The policy prescribes that appropriate safeguards and controls are in place to mitigate risks. The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure that the organization's fund manager, the British Columbia Investment Management Corporation, has adequate internal controls and risk-mitigation procedures in place. There are some investment risks that are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the fiscal and trade policies of other countries. WorkSafeBC management is, however, actively investigating and implementing more advanced approaches to evaluating and mitigating the Accident Fund's "value at risk" as well as its capital adequacy ratio.

Future outlook

Looking forward, WorkSafeBC's pro forma financial projections indicate continued positive operating results and increasingly lower premium rates to 2010.

In conjunction with the annual rate-making process completed in October of each year, WorkSafeBC has generated 10,000 simulated scenarios of financial outcomes to 2010.[26] These simulations take into account historical information and trends on four key variables: the injury rate, inflation, investment returns, and claim costs. The following key assumptions were incorporated into the simulation model:

- Average CPI growth of 2.5 percent per year with a corresponding annual wage rate growth of 3.5 percent
- Average workforce growth of 2.0 percent with no change in the injury rate
- Average annual investment (market) return of 6.0 percent with a standard deviation of 6.0 percent
- Average annual unfinalled claim cost index remains flat

The simulation results indicate an expected funded ratio (smoothed basis) of 119 percent at the end of 2010, with a 25 percent chance of being below 113 percent and a 25 percent chance of being above 125 percent. The factors that could lead to being below full funding are primarily high inflation and low investment returns. Simulations also indicate an overall premium rate of $1.47 in 2010 (compared with $1.90 in 2006), with a 25 percent chance of being above $1.54. The projections are, however, subject to uncontrollable external influences with indeterminate impact, such as a pandemic, shocks to world financial systems, and various geopolitical events.

While simulation results do not necessarily foretell the future, they help WorkSafeBC's senior management make qualitative assessments of likely future results. WorkSafeBC continuously monitors leading indicators and performance measures related to inflation, the injury rate, investment return, and claim costs.

Inflation, as measured by the CPI growth, spiked intermittently in 2006, hitting 2.8 percent in January and May, and then coming in at 0.9 percent for the year-over-year period ending October, on which benefit adjustments are legislatively based. Going forward, continued uncertainty about the cost and supply of oil and energy sources will likely cause occasional volatility in the CPI measure. In addition, upward wage pressures may begin to impact the CPI as Canada's industrial capacity is maximized. The risk of inflation is considered to be slightly higher at publication time than it was in mid-2006 when the projections were made.

British Columbia's economic base, and hence its underlying payroll base, is projected to continue growing across the seven major industry sectors. Employment growth is likely to increase the volume of claims if the injury rate is not lowered; however, premium growth, as a result of a growth in the volume of payroll, should keep pace with the cost of injuries.

WorkSafeBC's portfolio investment returns have been robust, with market returns of 11.6, 12.5, and 10.3 percent respectively in the past three years. The strength of financial markets is dependent on continued global economic growth. In addition, stability in inflation and interest rates will impact fixed-income investments and these, in turn, are dependent on the fiscal and trade balances of major global economies. In management's opinion, expectations for double-digit returns in the near- and mid-term are not realistic, and hence lower rates of return have been assumed in future projections.

WorkSafeBC's unfinalled claim cost index is a proxy measure of the cost of claims, and it reflects most of the factors that drive costs, excluding the impact of inflation. This index, which had been increasing for many years, has more recently begun to decline due to a significant reduction in the backlog of long-term disability claims (awaiting resolution), as well as a decrease in the propensity for claims to require long-term disability awards. In management's opinion, it is reasonable and prudent to assume that this index will remain flat.

FINANCIAL REVIEW

Responsibility for financial reporting

WorkSafeBC management is responsible for the preparation of the accompanying financial statements in accordance with Canadian generally accepted accounting principles. These financial statements include some amounts based upon management's best estimates and judgments.

Management is responsible for the integrity and fairness of the financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the financial statements of WorkSafeBC.

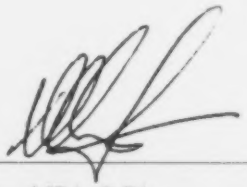
The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the financial statements and meets periodically with management, external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

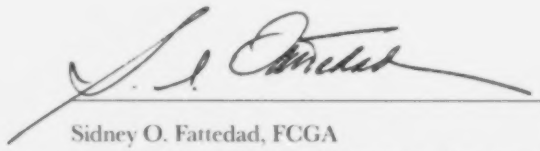
The Internal Audit Department performs audits designed to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the financial statements of WorkSafeBC and to report thereon in accordance with accepted actuarial practice.

The Auditor General of British Columbia has performed an independent audit of the financial statements of WorkSafeBC, in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the financial statements of WorkSafeBC.



David Anderson, MBA, C.Dir.
President and Chief Executive Officer



Sidney O. Fattedad, FCGA
Vice-President, Finance, Information Services, and Stakeholder Relations, and
Chief Financial Officer

March 9, 2007

Report of the Auditor General of British Columbia

To the Board of Directors of the Workers' Compensation Board, and

To the Minister of Labour and Citizens' Services, Province of British Columbia

I have audited the balance sheet of the Workers' Compensation Board as at December 31, 2006 and the statements of operations, changes in unappropriated balance and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Workers' Compensation Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
March 9, 2007

Arn van Iersel, CGA
Acting Auditor General

Balance sheet
as at December 31, 2006 ($ thousands)

Exhibit 1

	2006	2005
Assets		
Receivables (Note 3)	539,408	551,121
Portfolio investments (Note 4)	11,497,437	10,357,397
Property, plant, and equipment (Note 5)	148,559	136,068
	12,185,404	**11,044,586**
Liabilities, reserves, unappropriated balance, and accumulated other comprehensive income		
Payables and accruals (Note 6)	212,383	231,073
Benefit liabilities (Note 7)	8,765,301	8,576,574
Total liabilities	8,977,684	8,807,647
Reserves (Note 10)	840,000	440,000
Unappropriated balance (Exhibit 3)	1,276,193	689,841
Accumulated other comprehensive income (Exhibit 3)	1,091,527	1,107,098
	12,185,404	**11,044,586**

The accompanying notes are an integral part of the financial statements.

David Anderson, MBA, C.Dir.
President and Chief Executive Officer

Sidney O. Fattedad, FCGA
Vice-President, Finance, Information Services, and Stakeholder Relations, and Chief Financial Officer

Statement of operations for the year ended December 31, 2006 ($ thousands)

Exhibit 2

	2006	2005
Income		
Premiums (Note 11)		
Rateable employers	1,222,487	1,184,346
Levy for injury-reduction initiatives	10,245	6,682
Self-insured employers (Note 15)	34,506	48,749
	1,267,238	**1,239,777**
Investments (Note 4)		
Earned income	314,308	274,032
Realized gains on investments	887,708	411,138
Unrealized (losses) on held-for-trading[a] investments	(24,715)	(53,399)
	1,177,301	**631,771**
Total income	**2,444,539**	**1,871,548**
Expenses		
Claim costs (Note 8)		
Short-term disability	217,624	209,774
Long-term disability	376,384	504,081
Survivor benefits	58,781	87,844
Health care	258,307	281,873
Vocational rehabilitation	3,627	1,550
Claim administration	209,870	180,936
	1,124,593	**1,266,058**
Operating costs (Note 9)		
Administration costs	286,545	263,616
Amortization of property, plant, and equipment	34,534	30,534
Funding for injury-reduction initiatives	10,245	6,682
	331,324	300,832
Less: Claim administration payments	(182,999)	(169,428)
	148,325	**131,404**
Total expenses	**1,272,918**	**1,397,462**
Surplus before non-recurring expense	1,171,621	474,086
Non-recurring expense (Note 7)	185,269	—
Surplus from operations	**986,352**	**474,086**
Other comprehensive (loss) income		
Net unrealized (losses) gains on available-for-sale[b] investments (Note 4)	**(15,571)**	**492,631**
Total comprehensive income	**970,781**	**966,717**

The accompanying notes are an integral part of the financial statements.

a Held-for-trading investments are acquired mainly for the purpose of selling the investments in the near-term.
b Available-for-sale investments are neither held-for-trading investments nor investments with fixed maturity that an entity has a positive intention to hold to maturity.

Statement of changes in unappropriated balance and accumulated other comprehensive income for the year ended December 31, 2006 ($ thousands)

Exhibit 3

	2006	2005
Unappropriated balance — January 1	689,841	395,755
Surplus from operations (Exhibit 2)	986,352	474,086
Appropriation to Research Reserve (Notes 2(d) and 10)	—	(30,000)
Appropriation to Investment Fluctuation Reserve (Notes 2(d) and 10)	(150,000)	(150,000)
Appropriation to General Reserve (Notes 2(d) and 10)	(250,000)	—
Unappropriated balance — December 31	**1,276,193**	**689,841**
Accumulated other comprehensive income — January 1	1,107,098	614,467
Other comprehensive (loss) income (Exhibit 2)	(15,571)	492,631
Accumulated other comprehensive income — December 31	**1,091,527**	**1,107,098**

The accompanying notes are an integral part of the financial statements.

Statement of cash flows
for the year ended December 31, 2006 ($ thousands)

Exhibit 4

	2006	2005
Cash obtained from (used for) operating activities		
Cash received from:		
Employers	1,246,913	1,204,067
Dividends and interest	281,599	260,778
	1,528,512	1,464,845
Cash paid to:		
Claimants or third parties on behalf of claimants	(938,138)	(932,079)
Employees and vendors for goods and services	(284,170)	(253,080)
	(1,222,308)	(1,185,159)
Cash flow from operating activities	306,204	279,686
Cash obtained from (used for) investing activities		
Net sale (purchase) of portfolio investments	(257,804)	(258,022)
Net sale (purchase) of capital assets	(46,293)	(22,041)
Cash flow from investing activities	(304,097)	(280,063)
Net increase (decrease) in cash and cash equivalents	2,107	(377)
Cash and cash equivalents — January 1	(22,609)	(22,232)
Cash and cash equivalents — December 31 (Note 4)	**(20,502)**	**(22,609)**

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements for the year ended December 31, 2006

Note 1 — Nature of operations

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. It is, however, required by the Act to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. WorkSafeBC uses a smoothed accounting method (please refer to the Financial Context on page 7) to determine the funding level of the Accident Fund and its rate groups. The funding strategy of WorkSafeBC is to be fully funded, with any balances in the unfunded liability or unappropriated balance to be amortized on a five-year averaging basis, through adjustments to future premium rates. While Canadian generally accepted accounting principles are applied for the purpose of disclosing its financial statements, WorkSafeBC applies the smoothed accounting method for its funding policy. This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

Note 2 — Significant accounting policies

The financial statements of WorkSafeBC have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies have been adopted by the organization:

(a) Portfolio investments

Section 3855 (Financial Instruments — Recognition and Measurement) of the Canadian Institute of Chartered Accountants (CICA) handbook provides guidance on how organizations should classify their investment portfolios. WorkSafeBC has designated all its fixed-term, equity, and real estate investments as available-for-sale investments and reports them at fair value, except for its investments in private placements and foreign real estate, which do not have quoted market prices in the active market and are therefore reported at cost. The amounts by which fair values for these investments differ from costs represent unrealized gains and losses and are recognized in other comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations. Derivative financial instruments, although also stated at fair value, are classified as held-for-trading, with changes in fair value reflected in investment income as unrealized gains and losses.

All realized gains and losses from the sale of pooled fund units and segregated investments are recognized in investment income in the year of disposition. Realized gains and losses also include net annual realized trading gains and losses allocated to WorkSafeBC from the various pooled fund products included in WorkSafeBC's investment portfolio. Investment income also includes interest and dividends earned, and it is reduced by investment expenses incurred during the year.

WorkSafeBC invests indirectly in long- and short-duration fixed-term investments through both segregated and pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), which include publicly traded equities, real estate, private placements, and derivative financial instruments. Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, various provincial governments, Crown corporations, and high-quality corporations, as well as real-return, fixed-term mortgage, and global bonds. Those having terms less than or equal to one year consist primarily of treasury bills and other money market instruments. WorkSafeBC's investment in derivative financial instruments — financial contracts whose values change in response to changes in the values of the underlying securities, reference rates, or indices — include forward foreign exchange contracts.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

Note 2 — continued

The fair value of investments is market value. The market value of publicly traded investments is based on quoted prices, while that of domestic real estate investments is based on independent appraisals. The market value of forward foreign exchange contracts is determined by the net unrealized gains or losses, as well as premiums paid or received.

(b) Property, plant, and equipment

Property, plant, and equipment are reported at cost and are amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives of assets are as follows:

Buildings	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	7 years
Operating systems	5 to 7 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date of implementation.

(c) Benefit liabilities

WorkSafeBC determines its liabilities at the end of each year for all injuries that have taken place to that time.

WorkSafeBC appoints an independent consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to WorkSafeBC. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities fall into three categories:

- The capitalized value of future monthly payments for pension awards already made
- A provision for future payments on claims that have not been finalized to date
- The capitalized value of the estimated future cost of administering existing claims

These benefits are calculated using a real discount rate of 3.5 percent — that is, the assumption is that investment income will be earned at an annual rate 3.5 percent above the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates that are used in calculating the various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 6 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate
Health care inflation	1.0%
Wage growth	2.5%
Claim administration inflation	3.0%
Benefits indexed to inflation minus 1%	4.5%

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases because the determination of such claims cannot be reasonably estimated. However, a $200-million reserve was established in prior years to mitigate future claims relating to such diseases.

(d) Reserves

The $40-million Accident Fund Special Reserves established pursuant to section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [section 39(1)(b)], which provides a reserve in aid of industries or classes which may become depleted or extinguished.
- Disaster Reserve [section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances that WorkSafeBC considers to be an unfair burden to the employers in a particular class.
- Enhancement Reserve [section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability.

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations, but they are prorated to the various employer classes rather than being charged directly to any specific class.

WorkSafeBC has also established a $200-million Latent Occupational Disease Reserve relating to occupational diseases that may have occurred in the current or prior years, but may not be reported or recognized for a number of years due to the extended latency periods of such diseases. A $20-million Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Note 2 — continued

The $30-million Accident Fund Research Reserve, established pursuant to section 111 of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as for disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's Strategic Plan. The $30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

WorkSafeBC has also appropriated from its unappropriated balance an Investment Fluctuation Reserve, which currently totals $300 million and has been built up with $150-million appropriations in each of 2005 and 2006. These installments are part of a multi-year program aimed at establishing a total reserve equal to a currently estimated requirement of 7 percent of benefit liabilities. This reserve is being created in order to ensure that in 90 percent of all expected economic and capital market environments, the Accident Fund is able to meet the Investment Policy's following risk budget constraints:

- Premium rates should equal the cost of new claims plus no more than $0.30 to cover the impact of investment losses as an element in the overall premium rate.
- The funding level of the Accident Fund, excluding reserves, should not fall below 90 percent as a result of investment losses.

Policy stipulates that this investment fluctuation reserve should be drawn upon in the event that either or both of the above risk budget thresholds are breached.

Assuming that WorkSafeBC continues to achieve favourable financial results in the next few years, the target is to continue appropriating $150 million per year for the next two years and have a total of $600 million (approximately 7 percent of current liabilities) investment fluctuation reserve set up by the end of 2008. The total reserve target will be subject to a capital adequacy review in 2007.

In 2006, WorkSafeBC established a $250-million General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes, that may impact significantly on the organization's financial statements and the assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted each year based on emerging circumstances, including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

(e) Premium income and accrued premiums receivable

As a significant portion of premium income for the year is not received until after year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(f) Self-insured employers

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of WorkSafeBC administrative costs.

The receivable in Note 3 represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined; it also includes unpaid current billings.

WorkSafeBC acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

(g) Use of accounting estimates

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's financial statements include management's best estimates of the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these financial statements.

Note 3 — Receivables ($ thousands)

	2006	2005
Premiums	20,665	24,785
Accrued premiums	273,609	268,901
Self-insured employers — receivable	191,294	203,557
Premiums receivable	485,568	497,243
Self-insured employers — deposits	(13,322)	(12,312)
Accrued benefit asset (Note 13)	63,764	61,974
Other receivables	3,398	4,216
	539,408	**551,121**

Note 4 — Portfolio investments ($ thousands)

	2006	2005
(a) Portfolio investments		
Fixed-term investments, over one year, market value		
Government bonds	1,947,213	1,594,014
Corporate bonds	1,098,190	616,701
Long bonds	557,682	536,366
Real-return bonds	636,339	674,256
Global bonds		298,356
Fixed-term mortgages	191,915	182,526
	4,431,339	3,902,219
Fixed-term investments, under one year, market value		
Canadian short-term investments	625,144	412,271
Global short-term investments		2,542
	625,144	414,813
Accrued interest	1,480	6,126
Equities, market value		
Canadian index fund	542,598	1,196,001
Active Canadian equities	1,641,631	1,453,939
U.S. index fund	272,765	289,165
Active U.S. equities	723,415	585,076
International equities	1,726,633	1,237,605
	4,907,042	4,761,786
Domestic real estate, market value	933,617	704,104
Foreign real estate, at cost	110,360	68,297
Foreign exchange forward contract	47,353	4,670
Private placement pool, at cost	446,758	504,079
Currency overlay	14,846	13,912
Bank float	(20,502)	(22,609)
	11,497,437	**10,357,397**
(b) Investment income		
Earned for the year	314,308	274,032
Realized gains on investments	887,708	411,138
Unrealized (losses) on held-for-trading investments	(24,715)	(53,399)
	1,177,301	**631,771**

Note 4 — continued

(c) Gains (losses) on portfolio investments	2006	2005
Realized (losses) gains on all investments sold during the year		
Fixed-term investments	(25,781)	139,958
Equities, real estate, currency overlay, and other pooled funds	906,505	220,377
Derivative financial instruments	6,984	50,803
	887,708	**411,138**
Unrealized (losses) on held-for-trading investments		
Derivative financial instruments	**(24,715)**	**(53,399)**
Unrealized (losses) gains on available-for-sale investments		
Fixed-term investments	(112,480)	159,723
Equities, real estate, currency overlay, and other pooled funds	977,633	693,243
Reclassification adjustments for gains and losses included in net income	(880,724)	(360,335)
	(15,571)	**492,631**

Investment risk management

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds of WorkSafeBC under section 82(2)(c) of the Act. To that end, the Board of Directors has developed a risk budget specifying the acceptable amount of financial risk for investing the funds on a prudent basis to achieve reasonable returns. To assist them in the discharge of these responsibilities, the Board of Directors has appointed an Investment Committee consisting of three independent external voting members and two internal voting members. This committee manages WorkSafeBC's Accident Fund under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, the management and investment of the Accident Fund is carried out by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*. The Accident Fund invests in short-term money market investments, bonds, equities, mortgages, real estate, and private placements through pooled funds, segregated funds, or direct and indirect investments managed by bcIMC. Additional income is also earned by participating in securities lending arrangements, through bcIMC, whereby securities are loaned to and secured by borrowers and approved by the custodian, RBC Global Services. At December 31, 2006, secured loans amounted to $36,307 (2005: $242,931).

Credit risk management

Credit risk on financial instruments arises from the possibility that a counter-party to an instrument fails to meet its obligations. Therefore, all issuers of debt instruments, including government, non-government, and other counter-parties, must have a credit rating of at least BBB in order to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investment in pooled funds, WorkSafeBC mitigates credit risk exposure by ensuring that the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating and well-diversified portfolio with limited exposure to any one industry or economy.

Foreign exchange risk management

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC utilizes a currency hedging strategy by participating in currency hedging funds managed by bcIMC, or by entering into direct foreign exchange forward contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency exposure. The notional amount of direct foreign exchange forward contracts, which is defined as the contractual amounts on which payments are made, amounted to $863,588 at December 31, 2006 (2005: $457,108). Their related replacement value at December 31, 2006, was negative $15,893 (2005: $4,670).

Inflation risk management

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually against the increase in the October consumer price index (CPI) up to a maximum annual rate of 4 percent. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds Canadian real-return bonds which are indexed to the annual change in the CPI. These bonds have an effective yield of 1.8 percent at December 31, 2006 (2005: 1.4 percent).

Note 4 — continued

Liquidity risk management

The Accident Fund is exposed to liquidity risk through its responsibility to provide funding for WorkSafeBC operations such as benefit payments and administration expenses. Cash inflow and outflow from operations during 2006 netted to almost zero. WorkSafeBC always maintains a portion of its investments in highly liquid short-term money market investments and, in addition, maintains a $100-million line of credit with its principal banker to meet potential liquidity requirements. At December 31, 2006, the reconciled bank balance was negative $20,502 (2005: negative $22,609).

Interest rate risk management

Fluctuations in interest rates can impact the market value of the fixed-income portfolio, as well as shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio within predetermined prudent policy limits. The following table summarizes the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

	Remaining term to maturity					
	Within 1 year	**1 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total 2006**	**Total 2005**
Government bonds[a]						
Fair value	322	892,713	364,197	689,981	1,947,213	1,854,003
Amortized book value	319	896,905	361,843	687,943	1,947,010	1,851,091
Corporate bonds						
Fair value	13,661	511,742	398,650	174,137	1,098,190	655,068
Amortized book value	13,749	508,386	392,667	168,482	1,083,284	654,233
Long bonds						
Fair value				557,682	557,682	536,366
Amortized book value				526,129	526,129	492,707
Real-return bonds						
Fair value				636,339	636,339	674,256
Amortized book value				561,325	561,325	517,451
Fixed-term mortgage						
Fair value	26,558	88,371	68,927	8,059	191,915	182,526
Amortized book value	26,851	86,828	68,116	7,691	189,486	178,408
Total						
Fair value	40,541	1,492,826	831,774	2,066,198	4,431,339	3,902,219
Amortized book value	40,919	1,492,119	822,626	1,951,570	4,307,234	3,693,890

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its carrying value. The average yield of these fixed-term investments, excluding real-return bonds, at December 31, 2006, is 4.3 percent (2005: 4.1 percent).

Real estate risk management

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across residential, commercial, industrial, and development markets.

a Government bonds include globals and supranationals.

Note 5 — Property, plant, and equipment ($ thousands)

	2006			2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	3,760		3,760	3,760
Buildings	65,482	37,643	27,839	28,712
Furniture, equipment, and vehicles	98,811	80,724	18,087	17,867
Operating systems[a]	221,360	122,487	98,873	85,729
	389,413	**240,854**	**148,559**	**136,068**

Note 6 — Payables and accruals ($ thousands)

	2006	2005
Accrued staff benefits	168,874	165,448
Vendor payables	17,539	17,548
Pre-2000 subclass surplus credits[b]	9,952	33,117
Deferred revenue	1,782	3,463
Others	14,236	11,497
	212,383	**231,073**

Note 7 — Benefit liabilities ($ thousands)

	2006							2005
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	312,082	5,509,160	805,355	1,224,571	235,527	489,879	8,576,574	8,412,023
Add claim costs:								
Current year's injuries	238,220	248,507	27,589	230,224	51,063	176,688	972,291	932,334
Prior years' injuries	(20,596)	127,877	31,192	28,083	(47,436)	33,182	152,302	333,724
Non-recurring expense[c]		185,269					185,269	—
	217,624	561,653	58,781	258,307	3,627	209,870	1,309,862	1,266,058
Less claim payments made:								
Current year's injuries	133,536	1,874	1,299	81,578	1,299	88,010	307,596	283,503
Prior years' injuries	104,501	365,329	61,219	139,301	45,939	94,989	811,278	818,004
Non-recurring expense[c]		2,261					2,261	—
	238,037	369,464	62,518	220,879	47,238	182,999	1,121,135	1,101,507
Balance — December 31	**291,669**	**5,701,349**	**801,618**	**1,261,999**	**191,916**	**516,750**	**8,765,301**	**8,576,574**

(table continued on next page)

a Included in operating systems cost are $61,961 (2005: $42,955) of operating systems that are still in development. Operating systems are not amortized until they are operational.

b Since WorkSafeBC implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million) have had their surpluses abated back to them through the rate-setting process generally over a five-year period commencing in 2000. This distribution ended in 2004, except for a few remaining employers who will continue to receive credit until 2009, due to the application of a 1999 decision by the Panel of Administrators. The decision limited the amount of surplus that can be distributed to the individual employers in a year to 50 percent of their annual assessments. The abatement accrual includes interest earned on the subclass surpluses.

c On May 5, 2006, the B.C. Supreme Court clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. It ruled that deteriorations of permanent injuries that first occurred prior to June 30, 2002, should be adjudicated under the former provisions of the *Workers Compensation Act*, which meant, among other things, that these deteriorations were to be compensated through lifetime pensions rather than pensions ending at age 65. The total financial impact of this decision is estimated at $185 million and has been recognized in the 2006 financial statements prospectively. Of this total cost, at December 31, 2006, $2 million has been paid, $7 million has been awarded but not paid (i.e., included in the pension liability), and $176 million is estimated to be awarded in the future (i.e., included in the long-term disability unfinalled claims liability) (see page 8).

Note 7 — continued

The benefit liabilities at December 31, 2006, are represented by ($ thousands):

	2006							2005
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Provision for unfinalled claims	291,669	2,196,127	73,977	1,261,999	191,916	516,750	4,532,438	4,600,273
Pension awards, capitalized values		3,322,214	727,641				4,049,855	3,976,301
Non-recurring expense[a]		183,008					183,008	—
	291,669	**5,701,349**	**801,618**	**1,261,999**	**191,916**	**516,750**	**8,765,301**	**8,576,574**

The following is a reconciliation of the claim benefit liabilities ($ thousands):

	2006							2005
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	312,082	5,509,160	805,355	1,224,571	235,527	489,879	8,576,574	8,412,023
Add:								
Provision for current year's injuries	104,684	246,633	26,290	148,646	19,764	88,678	664,695	648,831
Accretion expense for prior year liabilities[b]	11,417	237,770	34,610	51,407	9,144	19,736	364,084	497,858
Prior years' claim costs experience lower than expected	(32,013)	(109,893)	(3,418)	(23,324)	(56,580)	(13,446)	(211,782)	(164,134)
Provision for non-recurring expense[a]		183,008					183,008	—
	84,088	557,518	57,482	176,729	(27,672)	95,968	1,000,005	982,555
Less:								
Payments for prior years' injuries	104,501	365,329	61,219	139,301	15,939	94,989	811,278	818,004
Balance — December 31	**291,669**	**5,701,349**	**801,618**	**1,261,999**	**191,916**	**516,750**	**8,765,301**	**8,576,574**

a On May 5, 2006, the B.C. Supreme Court clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. It ruled that deteriorations of permanent injuries that first occurred prior to June 30, 2002, should be adjudicated under the former provisions of the Act, which meant, among other things, that these deteriorations were to be compensated through lifetime pensions rather than pensions ending at age 65. The total financial impact of this decision is estimated at $185 million and has been recognized in the 2006 financial statements prospectively. Of this total cost, at December 31, 2006, $2 million has been paid, $7 million has been awarded but not paid (i.e., included in the pension liability), and $176 million is estimated to be awarded in the future (i.e., included in the long-term disability unfinalled claims liability) (see page 8).

b This amount represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

Note 8 — Changes in actuarial valuation of benefit liabilities ($ thousands)

	2006			2005		
	Claim costs	***Less:* Benefit payments**	**Changes in actuarial valuation of benefit liabilities**	**Claim costs**	***Less:* Benefit payments**	**Changes in actuarial valuation of benefit liabilities**
Short-term disability	217,624	238,037	(20,413)	209,774	236,050	(26,276)
Long-term disability	376,384	367,203	9,181	504,081	374,126	129,955
Survivor benefits	58,781	62,518	(3,737)	87,844	61,410	26,434
Health care	258,307	220,879	37,428	281,873	211,744	70,129
Vocational rehabilitation	3,627	47,238	(43,611)	1,550	48,749	(47,199)
Balance before claim administration	914,723	935,875	(21,152)	1,085,122	932,079	153,043
Claim administration	209,870	182,999	26,871	180,936	169,428	11,508
	1,124,593	1,118,874	5,719	1,266,058	1,101,507	164,551
Non-recurring expense[a]	185,269	2,261	183,008	—	—	—
	1,309,862	**1,121,135**	**188,727**	**1,266,058**	**1,101,507**	**164,551**

Note 9 — Operating costs ($ thousands)

	2006						2005
	Prevention	**Customer services**	**Information technology and facilities**	**Corporate services**	**WCAT, Review Division, and advisers**	**Total**	**Total**
Salaries and employee benefits	28,913	102,675	21,879	59,247	9,367	222,081	203,356
Amortization of property, plant, and equipment and PC leases	2,004	13,728	15,091	6,544	584	37,951	33,807
WCAT and advisers					25,401	25,401	25,777
Office expenses and communication	1,408	4,982	8,846	1,440	289	16,965	16,640
Building expenses	74	1,388	9,298	1,038	36	11,834	10,180
Consulting fees	685	242	5,860	3,611	46	10,444	9,915
Travel and vehicle expenses	2,671	2,263	282	421	36	5,673	4,867
Sessional doctor fees		3,947			24	3,971	3,994
Injury-reduction initiatives	10,245					10,245	6,682
Other administration expenses	2,018	9,187	1,308	14,848	340	27,701	26,260
Cost recoveries	(472)	(16,260)	(8,743)	(13,776)		(39,251)	(37,064)
	47,546	122,152	53,821	73,373	36,123	333,015	304,414
Non-recurring item — sale of Granville property[b]			(1,691)			(1,691)	(3,582)
	47,546	122,152	52,130	73,373	36,123	331,324	300,832
Less:							
Claim administration payments		98,775	27,651	31,205	25,368	182,999	169,428
	47,546	**23,377**	**24,479**	**42,168**	**10,755**	**148,325**	**131,404**

a On May 5, 2006, the B.C. Supreme Court clarified how WorkSafeBC must interpret and adjudicate deteriorations of permanent disabilities. (For more information, see note "a" on page 66.)

b In conjunction with the business realignment strategy, WorkSafeBC disposed of one of its main administration buildings in 2005 and entered into a sale-leaseback arrangement with the purchaser for a period of two years. This transaction resulted in a gain of $6,435, of which $1,691 and $3,582 were recognized in 2006 and 2005, respectively, with the remainder of $1,162 to be recognized in 2007.

Note 10 — Reserves ($ thousands)

	2006				2005
	Contingent	Disaster	Enhancement	Total	Total
(a) Special reserves costs					
Short-term disability			26,393	26,393	26,169
Long-term disability			46,364	46,364	51,234
Survivor benefits			1,298	1,298	1,297
Health care			17,850	17,850	16,108
Vocational rehabilitation			5,146	5,146	6,407
	—	—	**94,455**	**94,455**	**101,215**

The special reserves balance at December 31 is represented by:

	2006	2005
Contingent	2,500	2,500
Disaster	16,500	16,500
Enhancement	21,000	21,000
Balance — December 31	40,000	40,000
(b) Latent Occupational Disease Reserve	200,000	200,000
(c) Earthquake Disaster Reserve	20,000	20,000
(d) Research Reserve	30,000	30,000
(e) Investment Fluctuation Reserve	300,000	150,000
(f) General Reserve	250,000	—
	840,000	**440,000**

Note 11 — Premiums ($ thousands)

	2006	2005
Rateable classes	1,112,061	1,087,502
Abatement of pre-2000 subclass surplus[a]	6,964	(10,449)
Interest on pre-2000 subclass surplus[a]	19,484	(7,870)
Partners Program financial incentives[b]	(1,884)	(764)
Penalties	5,497	5,263
Capping of rate changes and amortization of balance[c]		
Capping of rate changes	12,697	(29,895)
Amortization of balance	81,596	140,559
	94,293	110,664
	1,222,487	1,184,346
Levy for injury-reduction initiatives	10,245	6,682
Rateable employers	1,232,732	1,191,028
Self-insured employers	34,506	48,749
	1,267,238	**1,239,777**

a Since WorkSafeBC implemented new classification and experience-rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million), have had their surpluses abated back to them through the rate-setting process, generally over a five-year period commencing in 2000. This distribution ended in 2004, except for a few remaining employers who will continue to receive credits until 2009, due to the application of a decision made by the Panel of Administrators in 1999 that limited the amount of surplus that can be distributed to individual employers in a year to equal 50 percent of their annual assessments. The total amount abated to employers in 2006 was $7.0 million relating to the subclass surpluses ($10.4 million in 2005), plus $2.1 million in interest earned on the subclass surpluses ($7.9 million in 2005). In 2006, accrued interest of $21.6 million payable to cancelled pre-2000 employer accounts was reversed and recognized as a positive adjustment to the 2006 premium income.

b The Partners in Injury and Disability Prevention program is an employer incentive program in support of WorkSafeBC's vision of workers and workplaces safe and secure from injury, illness, and disease. Through financial incentives, this program encourages employers to implement health, safety, and return-to-work management systems.

c The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit determined on a smoothed basis) of each rate group at the beginning of each appropriate year.

Note 12 — Gain and loss analysis ($ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest $1 million).

	2006	2005
Unappropriated balance — January 1	379,000	94,000
Current year's excess — rateable classes		
Current year's claim and operating costs[a]		
Estimated	1,140,000	1,087,000
Actual	(1,085,000)	(1,023,000)
	55,000	64,000
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	13,000	(18,000)
Amortization of balance	82,000	141,000
Capping of premium rate changes	13,000	(30,000)
Prior years' adjustments and miscellaneous	(15,000)	11,000
	93,000	104,000
Impact of non-recurring expense (Note 7)	(176,000)	—
Prior years' experience gain (loss)		
Short-term disability	35,000	44,000
Long-term disability	100,000	52,000
Survivor benefits	3,000	(9,000)
Health care	23,000	4,000
Vocational rehabilitation	54,000	67,000
Claim administration	(14,000)	6,000
Miscellaneous items	54,000	46,000
	255,000	210,000
Investment income excess over consumer price index plus underlying real interest assumption (2006: 3.5 percent; 2005: 3.5 percent)	453,000	87,000
Appropriation to Research Reserve		(30,000)
Appropriation to Investment Fluctuation Reserve	(150,000)	(150,000)
Appropriation to General Reserve	(250,000)	—
Unappropriated balance — December 31 — on funding basis[b]	**659,000**	**379,000**
Smoothing differences[c]	617,000	311,000
Unappropriated balance — December 31 — on GAAP basis (Exhibit 3)	**1,276,000**	**690,000**

a The current year's claim and operating costs line, shown as "estimated," represents the estimate for the cost of current year's injuries that was incorporated into the premium rates set for that year for rateable employers. The "actual" line represents the actual cost of the current year's injuries as estimated at the end of that year. The difference line thus provides a measure of the accuracy of the cost provision in the premium rate.

b This fund balance represents the amount that is incorporated into the rate-setting process, calculated in the year following the date of the financial results.

c "Smoothing differences" represents the variance between the financial results on the fair value or GAAP basis and on the smoothed or funding basis. It represents the amount that will be factored into the rate-setting process in future years.

Note 13 — Employee benefit plans ($ thousands)

WorkSafeBC has several employee benefit plans that provide pension and other post-employment benefits to its employees.

WorkSafeBC and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2006. In addition, WorkSafeBC also has a financial obligation relating to basic medical and extended health care benefits that it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2006, funding valuation results were used to derive the projected liabilities at year-end.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are as follows:

	Pension plan		Other benefit plans	
	2006	2005	2006	2005
Discount rate	5.0%	5.0%	5.0%	5.0%
Expected long-term rate of return on plan assets	5.0%	5.0%	—	—
Rate of compensation increase/health care cost increase	2.0%	2.0%	4.0%	4.0%
Average remaining service period of active employees expected to receive benefits under the plans	10.0 years	10.6 years	10.0 years	10.6 years

Aggregated information about WorkSafeBC's employee benefit plans is summarized below:

	Pension plan		Other benefit plans	
	2006	2005	2006	2005
Accrued benefit obligation — December 31	840,818	775,832	97,259	92,840
Fair value of plan assets — December 31	904,849	791,773	—	—
Funded status — plan surplus (deficit) — December 31	**64,031**	**15,941**	**(97,259)**	**(92,840)**
Unamortized net actuarial loss — December 31	53,086	112,725	17,694	22,393
Unamortized transitional asset — December 31[a]	(53,353)	(66,692)	—	—
Accrued benefit asset (liability) — December 31	**63,764**	**61,974**	**(79,565)**	**(70,447)**
Employee contributions	11,170	9,789	—	—
Employer contributions	14,702	13,349	—	—
Net benefit plan expense				
Employer current service cost	21,990	16,380	4,704	4,149
Interest cost on accrued benefit obligation	39,119	39,945	—	—
Expected return on plan assets	(39,734)	(42,708)	—	—
Amortization of:				
Transitional asset[a]	(13,339)	(13,339)	—	—
Net actuarial loss	4,876	2,506	1,311	1,603
Pension expense	**12,912**	**2,784**	**6,015**	**5,752**

a Pension plan assets and liabilities were revalued at January 1, 2000, from smoothed values to market values. The revaluation was due to a change in Canadian accounting standards for employee future benefits. The revaluation created a surplus of assets values over liabilities of $146,726 at January 1, 2000. The surplus (transitional asset) is being amortized over 11 years, which is the expected remaining service life of active employees. To December 31, 2006, $93,373 has been amortized, leaving an unamortized transitional asset balance of $53,353, which will be fully amortized by 2010.

Note 13 — continued

The accrued benefit asset relating to WorkSafeBC's pension plan is included in accounts receivable (Note 3), while the accrued benefit liability relating to its other employee benefit plans is included in accounts payable (Note 6). In 2006, an interest cost of $4,719 (2005: $5,273) on WorkSafeBC's accrued benefit obligation relating to its retirees' post-employment medical benefits is offset by the interest earned by the portion of the Accident Fund that has been internally restricted for the purpose of supporting this financial obligation.

Note 14 — Related-party transactions

WorkSafeBC is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Appeal Tribunal (which replaced the Workers' Compensation Review Board in March 2003), the Workers' Advisers Office, and the Employers' Advisers Office. As disclosed in Note 9 on page 67, the total amount reimbursed to the Province for the operation of these external bodies in 2006 was $25,401 (2005: $25,777).

In addition to the legislated obligations referred to earlier, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various B.C. government-controlled ministries, agencies, and Crown corporations to which WorkSafeBC may be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 15 — Self-insured employers ($ thousands)

	2006	2005
Current premium income	**34,506**	**48,749**
Claim costs		
Short-term disability	9,781	13,154
Long-term disability	13,610	18,413
Survivor benefits	2,546	1,875
Health care	7,307	9,298
Vocational rehabilitation	(1,474)	(140)
Claim administration	5,861	6,355
	37,631	48,955
Share of special reserves costs	3,232	3,558
Operating costs	6,928	6,044
	47,791	58,557
Share of investment income	(13,285)	(9,808)
	34,506	**48,749**

Included in the benefit liabilities is $195 million (2005: $203 million) for self-insured employers (except for the federal government). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence they do not affect WorkSafeBC's unfunded liability.

Note 16 — Lease commitments ($ thousands)

WorkSafeBC has several operating leases relating to computer equipment and office spaces. The future lease payments expected to be charged against operating costs over the next five years are as follows:

2007	7,268
2008	6,132
2009	6,119
2010	6,094
2011	6,024
	31,637

Note 17 — Comparative figures

Certain 2005 figures have been reclassified to conform with the current year's presentation.

Eckler Ltd.

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with WorkSafeBC'S financial statements.

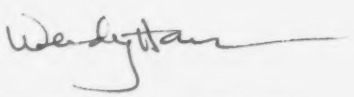
The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2007. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2005. A net interest rate of 4.5% was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI) by 3.5% per year, over the long term, and that indexing will be provided at CPI minus 1%.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2006 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from the WorkSafeBC's claims experience, average benefit rates, the net interest rate above and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 2005.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2006, for the future benefit expenditures of WorkSafeBC in respect of injuries to December 31, 2006.

($,000's)

	Pension Awards, Capitalized Values	Provision for Unfinalled Claims	Total
Benefit Liabilities:			
Short-term Disability	—	291,669	291,669
Long-term Disability	3,329,067	2,372,282	5,701,349
Survivor Benefits	727,641	73,977	801,618
Health Care	—	1,261,999	1,261,999
Vocational Rehabilitation	—	191,916	191,916
Claim Administration	—	516,750	516,750
	4,056,708	**4,708,593**	**8,765,301**



Richard A. Border, FIA, FCIA
Actuaries with the firm of Eckler Ltd.

Wendy F. Harrison, FSA, FCIA

March 9, 2007

Ten-year summary of financial statements (smoothed basis) — Unaudited

Balance sheet
as at December 31 ($ thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Assets										
Receivables	539,408	551,121	508,035	458,703	427,728	405,547	407,531	369,830	404,165	448,336
Portfolio investments	9,788,836	8,939,069	8,320,081	7,879,525	7,499,966	7,899,120	7,686,438	7,108,502	6,505,445	5,907,252
Capital assets	148,559	136,068	139,686	142,180	150,906	162,037	170,501	167,365	136,019	110,142
	10,476,803	**9,626,258**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**
Liabilities and net fund surplus (deficiency)										
Payables and accruals	212,383	231,073	201,604	202,895	195,851	172,253	244,919	94,500	102,527	93,606
Benefit liabilities	8,765,301	8,576,574	8,412,023	8,269,650	8,029,458	7,870,287	7,308,582	6,915,660	6,542,161	6,257,860
Total liabilities	8,977,684	8,807,647	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160	6,644,688	6,351,466
Reserves	840,000	440,000	260,000	260,000	260,000	290,000	290,000	502,000	332,000	70,000
Unappropriated balance (unfunded liability)	659,119	378,611	94,178	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264
Net fund surplus (deficiency)	1,499,119	818,611	354,178	7,863	(146,712)	424,164	710,969	635,537	400,941	114,264
	10,476,803	**9,626,258**	**8,967,805**	**8,480,408**	**8,078,600**	**8,466,704**	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**

Statement of operations and unappropriated balance (unfunded liability)
for the year ended December 31 ($ thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Income										
Premiums	1,267,238	1,239,777	1,175,089	1,077,383	1,019,250	916,378	872,331	880,415	918,832	992,161
Investments	871,457	622,118	522,072	495,937	(223,798)	585,716	785,429	858,409	701,857	644,688
	2,138,695	1,861,895	1,697,161	1,573,320	795,452	1,502,094	1,657,760	1,738,824	1,620,689	1,636,849
Expenses										
Claim costs										
Short-term disability	217,624	209,771	205,206	199,508	253,019	308,329	338,276	341,832	298,832	267,482
Long-term disability	376,384	504,081	459,094	691,555	738,273	742,605	653,882	524,182	428,029	425,089
Survivor benefits	58,781	87,844	70,996	76,370	85,885	69,463	55,977	43,665	58,036	56,802
Health care	258,307	281,873	299,763	170,345	237,623	221,349	230,031	264,187	245,523	203,062
Vocational rehabilitation	3,627	1,550	15,544	34,492	130,490	117,330	106,037	77,839	66,929	47,285
Claim administration	209,870	180,936	165,262	191,662	178,985	189,618	135,898			
Extraordinary adjustments to revalue liabilities[a,b]	185,269			75,546	414,674		75,357			
	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,714	1,251,705	1,097,349	999,720
Operating and prevention costs										
Operating	283,778	258,983	256,780	257,411	278,134	250,775	227,768	205,104	194,037	171,311
Prevention	47,546	41,849	44,006	38,452	40,418	44,067	45,711	47,419	42,626	36,046
Less: Claim administration payments	(182,999)	(169,428)	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)			
	148,325	131,404	134,981	130,359	156,727	140,205	137,581	252,523	236,663	207,357
	1,458,187	1,397,462	1,350,846	1,418,745	1,366,328	1,788,899	1,582,328	1,504,228	1,334,012	1,207,077
Surplus (deficiency) from operations	680,508	464,433	346,315	154,575	570,876	286,805	75,432	234,596	286,677	429,772
Unappropriated balance (unfunded liability) — January 1	378,611	94,178	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264	(355,508)
	1,059,119	558,611	94,178	(252,137)	(406,712)	134,164	208,969	303,537	330,941	74,264
Appropriation to Future Claim Administration Reserve	—						212,000		212,000	
Appropriation to Latent Occupational Disease Reserve	—							150,000	50,000	
Appropriation to Earthquake Disaster Reserve	—							20,000		
Appropriation to Research Reserve	—	30,000			30,000					30,000
Appropriation to Investment Fluctuation Reserve	(150,000)	150,000								
Appropriation to General Reserve	(250,000)									
Unappropriated balance (unfunded liability) — December 31	**659,119**	**378,611**	**94,178**	**(252,137)**	**(406,712)**	**134,164**	**420,969**	**133,537**	**68,941**	**44,264**

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

a The extraordinary adjustments to revalue liabilities for 2006 relates to a non-recurring expense in 2006 stemming from a Supreme Court decision on benefit eligibility (see page 8).

b The extraordinary adjustments to revalue liabilities for 2000–2003 relates to the following items: Bill 37 in 2003, and Bill 49 and mortality assumption changes in 2002.

Supplementary financial information ($ thousands)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Property, plant, and equipment expenditures	46,293	22,041	25,459	18,882	17,240	27,480	33,936	55,540	38,240	33,815
Special reserves costs included in claim costs	94,455	101,215	112,060	154,263	111,234	120,774	98,946	92,443	81,319	62,211
Claim costs:										
Current year's injuries	972,291	932,334	893,825	841,047	933,688	990,697	968,515	850,988	831,110	777,807
Prior years' injuries	337,571	333,724	322,040	522,885	690,587	657,997	476,229	400,717	266,239	221,913
Legislative and mortality assumption changes	—			(75,546)	(414,674)					
	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349	999,720
Claim costs										
Payments[a]	1,121,135	1,101,507	1,073,492	1,048,195	1,050,430	1,086,991	1,051,822	878,206	813,048	929,388
Change in benefit liabilities	188,727	164,551	142,373	240,191	159,171	561,703	392,922	373,499	284,301	70,332
	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349	999,720
Statistics										
Claims first reported[b]	173,014	164,312	156,780	152,084	156,783	169,194	181,631	175,781	177,229	183,590
Claims accepted[c]	131,118	127,811	121,440	120,470	119,727	130,323	140,020	136,741	144,380	148,144
Claims disallowed[d]	12,097	10,634	9,432	9,031	9,609	10,753	11,211	9,724	8,139	8,358
Claims rejected[e]	2,084	1,967	1,768	1,591	1,798	1,728	2,144	1,889	1,884	1,733
Claims disallowed as a proportion of claims reported (%)[f]	7.0	6.5	6.0	5.9	6.1	6.3	6.2	5.5	4.6	4.6
Injury rate (number of short-term disability claims per 100 person-years of employment)	3.12	3.09	3.06	3.05	3.24	3.64	3.87	4.05	4.24	4.42
Short-term duration of claims (days paid per claim)[g]										
in injury year	25.9	26.3	26.9	26.5	26.2	26.8	26.2	26.5	25.9	24.0
total of all years	45.4	47.3	48.1	46.7	47.2	49.4	49.6	51.5	46.8	41.8
Prevention inspection reports issued[h]	25,920	20,267	15,913	16,310	21,736	28,648	31,063	34,264	32,737	35,894
Prevention worksite activity hours[i]	218,070	205,765	202,125	223,321	260,710	277,319	271,951	251,633	276,268	212,121
Employers registered	188,164	184,239	179,257	173,008	171,583	169,650	166,501	164,963	159,036	153,199
Average premium rate ($)[j]										
published rate										
base rate	1.90	1.97	2.06	2.05	2.03	2.02	2.31			
surplus abatement and transition capping	(0.07)	0.11	0.15	0.13	0.13	0.23	0.40			
collection rate	1.83	1.86	1.91	1.92	1.90	1.79	1.91			
actual final collection rate	1.90	1.99	1.99	1.94	1.88	1.78	1.73	1.88	2.01	2.22
Investment return of portfolio (%)										
total return (market yield)	11.6	12.5	10.3	13.4	2.4	0.9	5.1	9.8	11.0	13.9
accounting return (yield on average value of portfolio)	9.4	7.2	6.4	6.4	2.8	7.5	10.6	12.6	11.3	11.4
real return (yield in excess of inflation)[k]	8.5	4.6	4.1	4.8	6.0	5.6	7.8	10.3	10.3	9.9
Percent funded (ratio of assets to total liabilities) (%)	117	109	104	100	98	105	109	109	106	102

Note: Refinements in measurement approach have resulted in minor changes in previously reported figures in some cases.

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

a In 1997, benefit payments included approximately $209 million paid to widows in respect of the retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.

b Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported. The counts of reported claims in this table have been revised from those that appeared in the 2005 annual report: the claim consolidation process results in the elimination of some duplicate claim numbers from past years.

c Includes claims accepted for health-care-only benefits.

d Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

e Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to WorkSafeBC.

f Reported claims that are not accepted, disallowed, or rejected are either suspended claims or phantom claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. Phantom claims are accident reports that are not claims for benefits.

g Duration numbers for all 10 years now exclude days paid as vocational rehabilitation days. The durations now include only short-term disability days.

h These reports show the number of inspections conducted, including provincial inspections, federal WHMIS inspections, and program reviews.

i Worksite activities include Worker and Employer Services and Investigations field officers' staff time spent on inspections, education, consultation, investigations, and other industry and worker services.

j The published rate is the rate announced at the time the assessment rates are set. It consists of the base rate reduced by both the pre-2000 subclass surplus abatement and transition capping of rate increases from the old to new classification structure. This reduction will largely disappear after 2006. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.

k Inflation is the change in the all-Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Daljit Dhariwal

LEARNING EVERY DAY

No one imagines they'll be struck with a work-related terminal illness. Sadly, it happens. When it does, Daljit Dhariwal will do everything in his power to provide immediate help to those who need it. If that means he's in Kamloops one day, then Victoria the next, he doesn't think twice about it.

Daljit is a vocational rehabilitation consultant in WorkSafeBC's sensitive claims section, which assists claimants suffering from terminal work-related illnesses such as mesothelioma, asbestosis, and leukemia.

Those who know Daljit, know him to be selfless in his approach to his work, but that's not what brought him to WorkSafeBC the first time.

Daljit was working at a sawmill in 1979 when his hand was pulled into a re-saw roller (a powerful piece of sawmill equipment); his tendons were severed and his hand severely damaged. Multiple surgeries were required to repair the damage and make his hand functional again. Recovery was slow and painful.

Daljit had always planned to pursue a career in social work. With vocational guidance and funding from WorkSafeBC, he returned to university and in 1981 graduated with a Bachelor of Social Work from the University of British Columbia. Two surgeries later, he went back for his master's. In 1983 he joined WorkSafeBC as a vocational rehabilitation consultant.

After more than 20 years of frequently challenging work, Daljit remains humble and empathetic. "I am always in the field," he says, "seeing claimants and helping them get answers. I am continually learning from them and it helps me to do my job better."

A LONG WAY FROM HIS ROOTS

Clare Murray may have a desk job, but it wasn't always the case. Like his family before him, Clare used to work in the woods. On March 3, 1984, he was working alone two hours east of Prince George, manually falling trees in an area too steep for machinery. He was 24 years old.

"Just as I was finishing the back cut, a gust of wind came up. The tree fell away from me, then fell across another tree and slid back towards me. I put my hands up, but it knocked me down. It took me awhile, but I soon realized that I'd broken my leg."

It was a severe break, one in which nerves and blood vessels had stretched and snapped. He underwent surgery and skin grafting, but the damage was too great. Two days later — four weeks before he was to be married — Clare's leg was amputated mid-calf.

Clare spent the next several months at WorkSafeBC's former rehabilitation centre, where he was fitted with a prosthetic. His path had changed, but he was not going to let anything stand in the way of his goals.

"I decided this was not going to be a life-determining injury," says Clare. He walked down the aisle that June and later embarked on retraining through WorkSafeBC's Access Ability program. Now he's an information technology project director at WorkSafeBC, where his experience gives him a unique perspective on his work.

"I've been an injured worker and a claimant," says Clare. "I know how important it is to feel like a person — not a number."

APPENDICES

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee seek to achieve an optimal balance of funding in support of WorkSafeBC's strategic goals. However, because WorkSafeBC's goals are extremely broad and supported by a number of programs, initiatives, and responsibilities, shared among various departments and divisions across the organization, it is difficult to fully segment expenditures according to each individual goal (or its associated objectives).

In recent years, WorkSafeBC has increasingly become an integrated, matrix-based organization where lines of business are often interconnected and most programs and initiatives relate to more than one strategic goal. As such, allocating budget dollars by goal or function could be misleading.

Launching a new prevention initiative, for example, may contribute to WorkSafeBC's goal of improving occupational health and safety in the workplace, but it also contributes to WorkSafeBC's goal of maintaining financial sustainability and stability, and influences other goals as well. Further, the same initiative will likely involve significant contributions from more than one division.

It is possible to break down WorkSafeBC's annual expenditures by general business activities, which are closely associated with groups of strategic goals (as outlined in the table on the next page), but it is important to note that such categorization is not exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective. These ratios are being refined and will be further developed in future annual reports and service plans.

The relationship between costs and performance outcomes

Although the areas of expenditure on the next page are linked with groups of strategic goals, changes in costs are not always directly or immediately related to changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve, but in the short run, costs may rise while apparent outcomes are falling. In terms of claim administration, reducing administrative expenditures by too much may increase claim duration and delay return to work, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context
Prevention — $48 million or 3.3 percent of total costs in 2006	Goal #1: Foster the improvement of occupational health and safety in workplaces Goal #4: Maintain financial sustainability and stability	Based on 2 million full-time equivalent work years and an average of 1,768 hours of paid work in a year, prevention expenditures account for $0.01 per paid hour worked in B.C. in 2006 ($0.01 in 2005)
Claim costs — $1.1 billion or 77.2 percent of total costs in 2006	Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate	Claim costs accounted for approximately $0.31 per paid hour worked in B.C. in 2006 ($0.27 in 2005)
Customer service and infrastructure — $174 million or 12 percent of total costs in 2006	Goal # 2: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal # 3: Improve cost-effectiveness and accountability of the services we deliver Goal #4: Maintain financial sustainability and stability	Corporate service costs represented about $0.05 per paid hour worked in B.C. in 2006 ($0.04 in 2005)
Corporate services (financial management, policy development, governance, corporate services, etc.) — $73 million or 5 percent of total costs in 2006	Goal # 2: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal # 3: Improve cost-effectiveness and accountability of the services we deliver Goal #4: Maintain financial sustainability and stability	Corporate service costs represented about $0.02 per paid hour worked in B.C. in 2006 ($0.02 in 2005)
Review Division, external appeals, and workers' and employers' adviser services — $36 million or 2.5 percent of total costs in 2006	Goal # 2: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal # 3: Improve cost-effectiveness and accountability of the services we deliver	Workers and employers benefit from the advisory services provided by the Ministry of Labour and Citizens' Services and the appeal services offered by the Workers' Compensation Appeal Tribunal (both are funded by WorkSafeBC) — either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and adviser systems were about $87 per claim file handled by the workers' compensation system in 2006 ($93 in 2005). Costs associated with the internal review process were about $36 per claim file handled in 2006 ($33 in 2005).

Appendix B: Comparing Results with Other Jurisdictions

Making direct comparisons between WorkSafeBC's performance results and the results from other Canadian workers' compensation organizations is difficult, largely due to the differing legal requirements, policies, and operating issues within each jurisdiction.

To help overcome this challenge, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key performance indicators used by WorkSafeBC; however, in some cases it is possible to provide approximate comparisons of performance. All comparisons must be made using 2005 data, which is the most current information available at the time of publication.

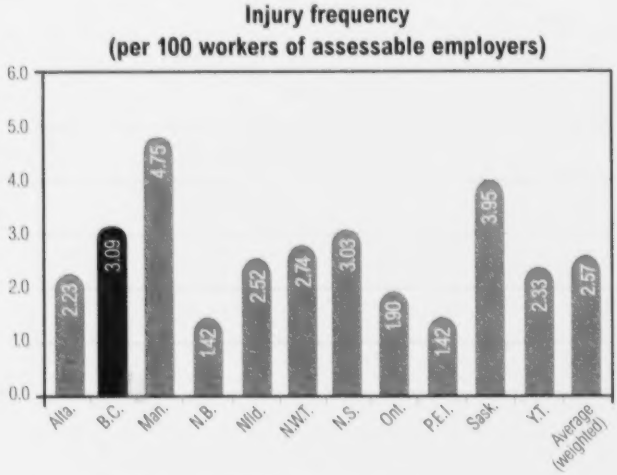
Key objective #1:
Reduce the provincial injury rate

2006 target: 3.02 injuries per 100 person-years of employment

2006 result: 3.12 injuries per 100 person-years of employment (see page 20)

2007–2009 targets: 3.06 or less, 3.03 or less, 3.00 or less

Related comparison: The AWCBC publishes an annual comparison of injury frequency using a standardized calculation. Injury frequency is not directly comparable between provinces because injury rates are influenced by the mix of industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces as published in December 2006 (based on 2005 source data).



Source: AWCBC Key Statistical Measures 2005, www.awcbc.org/english/board_pdfs/2005KSMs.pdf
(Data not available for Quebec)

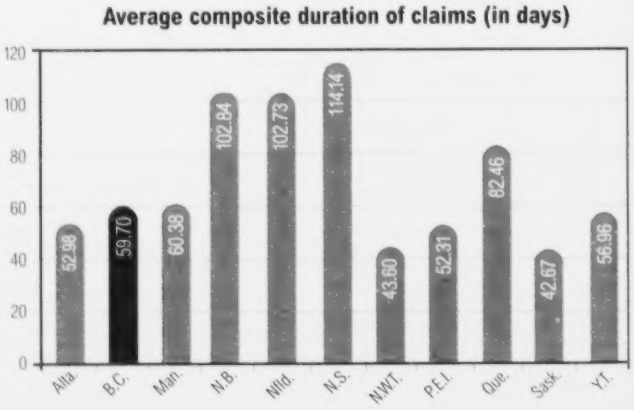
Key objective #2:
Reduce the average short-term claim duration

2006 target: 46.8 days

2006 result: 45.4 days (see page 22)

2007–2009 targets: 45.4 days, 45.1 days, 44.6 days

Related comparison: The AWCBC publishes an annual comparison of claim duration using a standardized calculation. Claim duration measured by the AWCBC is not the same as claim duration measured by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation while WorkSafeBC's measure does not, and the AWCBC measure expresses duration in calendar days whereas WorkSafeBC's measure expresses duration in work days. In addition, the AWCBC measure is not directly comparable between jurisdictions, as the duration of disability is influenced by the mix of industries and economic factors in each province. The following chart reflects the average composite claim duration in calendar days for Canadian provinces as published in December 2006 (based on 2005 source data).



Source: AWCBC Key Statistical Measures 2005, www.awcbc.org/english/board_pdfs/2005KSMs.pdf
(Data not available for Ontario)

Key objective #3:
Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: There is no comparable data available.

Key objective #4:

Improve timeliness of initial short-term disability payments

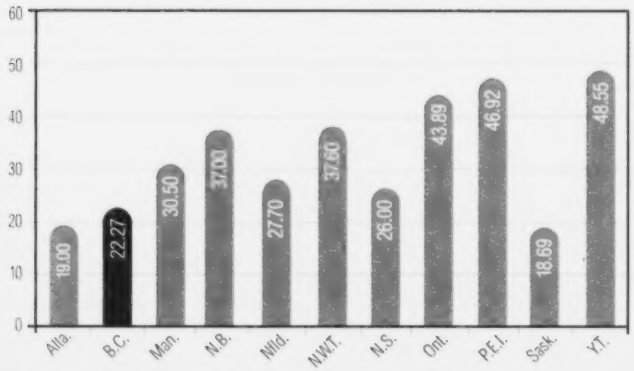
2006 target: 17.5 days

2006 result: 17.7 days (see page 25)

2007–2009 targets: 17.5 days, 17.0 days, 17.0 days

Related comparison: The AWCBC publishes an annual comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart above reflects the average calendar days from date of injury to date of first payment as published in December 2006 (based on 2005 source data).

Average calendar days from injury to first payment issued



Source: AWCBC Key Statistical Measures 2005, www.awcbc.org/english/board_pdfs/2005KSMs.pdf (Data not available for Quebec)

Key objective #5:

Improve injured workers' rating of overall service and experience

Related comparison: There is no comparable data available.

Key objective #6:

Improve employers' rating of overall service

Related comparison: There is no comparable data available.

Key objective #7:

Raise public confidence

2006 target: 79 percent positive public perception

2006 result: 82 percent positive public perception (see page 29)

2007–2009 targets: 82 percent, 83 percent, 84 percent

Related comparison: To track public confidence, WorkSafeBC hires Ipsos Reid to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of success is the degree to which British Columbians think WorkSafeBC makes a positive contribution. As with all surveys, sample size, respondent variation, and issues prevalent in the media can influence the results. In four surveys conducted in 2006, between 79 percent and 85 percent of those expressing an opinion rated WorkSafeBC's public contribution as positive. The average score from the nearly 3,200 responses was 82 percent positive for the year.

To provide a general comparison, WorkSafeBC uses a weighted average score of other large public and private B.C. organizations (including WorkSafeBC), with a significant presence inside and outside the B.C. Lower Mainland, based on a similar survey question administered by Ipsos Reid in a separate survey. Although the question asked in this survey is similar to that asked by WorkSafeBC, the survey is conducted only once a year in March and is limited in sample size. In 2006, the weighted average score of those expressing an opinion in this survey was 67 percent positive. WorkSafeBC was one of the organizations included in the Ipsos Reid benchmark survey, and of the 758 responders who expressed an opinion during the March survey period, 512 (68 percent) rated the overall contribution as either very or somewhat positive.

Key objective #8:

Achieve an Accident Fund ratio in the range of 100 to 130 percent

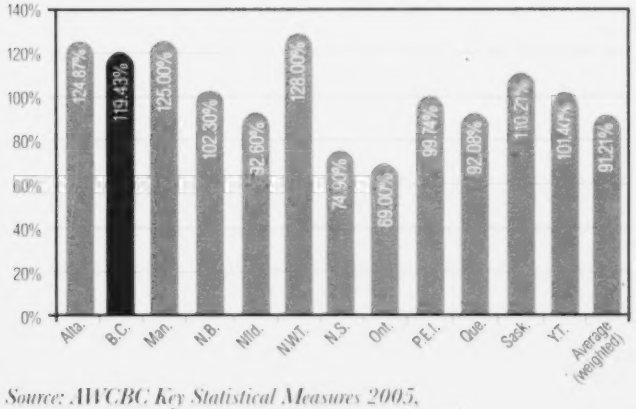
2006 target: 115 percent

2006 result: 117 percent (see page 30)

2007–2009 targets: 121 percent, 121 percent, 121 percent

Related comparison: The AWCBC calculates the percentage funded for each Canadian workers' compensation system according to a standardized formula, which includes reserves with the liabilities. The following chart shows the average funding level of each provincial workers' compensation system, published in December 2006, as valued on a market value basis (based on year-end 2005 data).

Percentage funded (includes reserves in the assets and liabilities)



Source: AWCBC Key Statistical Measures 2005, www.awcbc.org/english/board_pdfs/2005KSMs.pdf

Key objective #9:

Attain an aggregate premium rate between $1.25 and $2.25 per $100 of assessable payroll

2006 target: $1.92

2006 result: $1.90 (see page 31)

2007–2009 targets: $1.67, $1.62, $1.61

Related comparison: Average premium rates for other jurisdictions in 2006, based on published reports and announced projections, were $1.57 in Alberta, $2.26 in Ontario, and $2.32 in Quebec. The following table lists average premium rates in B.C. and these jurisdictions over the past 10 years.

Province	Ten-year average	Standard deviation	Standard deviation as percent of average
B.C.	$1.93	0.13	7%
Alberta	$1.53	0.30	20%
Ontario	$2.32	0.22	9%
Quebec	$2.19	0.24	11%

Source: Provincial workers' compensation annual reports

Key objective #10:
Control administration costs (per $100 of assessable payroll)

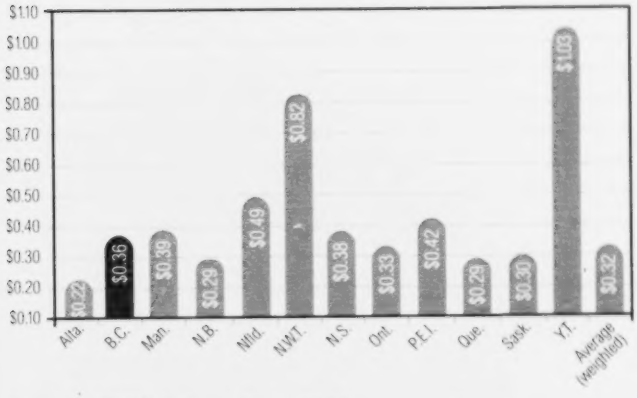
2006 target: $0.37 per $100 of assessable employer payroll

2006 result: $0.37 per $100 of assessable employer payroll
(see page 33)

2007–2009 targets: $0.39, $0.38, $0.37

Related comparison: The AWCBC calculates administration costs per $100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per $100 of assessable employer payroll for each provincial jurisdiction as published in December 2006 (based on year-end 2005 data).

Administration costs per $100 of assessable payroll



Source: AWCBC Indicator Ratios 2005, www.awcbc.org/english/board_pdfs/2005IndicatorRatios.pdf

Key objective #11:
Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: There is no comparable data available.

Appendix C: Operating Environment

WorkSafeBC operates in a complex and changing environment. The number of identified workplace risks continues to increase. Defining these risks and designing mitigation strategies requires ongoing monitoring and assessment. WorkSafeBC's Board of Directors has placed a high priority on a thorough annual risk management process, continual environmental scanning, and rigorous business continuity planning.

The following section highlights some of the major risk factors that WorkSafeBC faced in 2006 and will continue to face over the next three years.

External factors

The economy and labour force

Economic expansion continued in 2006, with important consequences for the province and WorkSafeBC. According to Statistics Canada, B.C.'s seasonally adjusted employed labour force grew to about 2.2 million persons in 2006. Positive growth was significant in higher-risk primary industries (e.g., forestry, mining, oil and gas) adding 20,500 new workers. If injury rates in growing sectors remain constant, more employment means more potential injuries, and greater human and financial costs. While the potential financial costs to WorkSafeBC are offset by increased income from premiums, there is no offset for the human toll of workplace injury on individuals and their families.

Activity in the construction industry continues to be vibrant, with preparations for the 2010 Winter Olympics and major construction projects such as the Sea to Sky Highway improvements and the Richmond Airport Vancouver (RAV) rapid transit line. The construction sector labour force has increased rapidly, adding nearly 28,000 workers in just two years. Statistics Canada now estimates the construction labour force at more than 136,000.[7]

Although housing starts have levelled off and demand for lumber, energy, and manufactured goods in the U.S. appears to be levelling, demand for oil, gas, coal, and base metals continues to drive both the economy and demand for skilled labour. New workers, young workers, and temporary foreign workers are in high demand — and at potentially greater risk. Inadequate worker orientation and incomplete understanding of local and specific worksite risks can lead to injuries.

To mitigate these potential risks, WorkSafeBC is increasing its vigilance with regard to worker orientation and training. As well, WorkSafeBC is collaborating with other public and private organizations, such as SafeBC,[8] to change societal attitudes and behaviour toward safety, both on and off the job. By reinforcing the safety message through this broad-based partnership, WorkSafeBC strives to keep safety top of mind.

Injury rate and severity

After a sustained period of declining injury rates, many jurisdictions — including WorkSafeBC — are reporting flattened rates. The frequency of injury is a major driver of WorkSafeBC's costs. WorkSafeBC is therefore using its data warehouse and risk management expertise to identify sectors, industries, and firms where the injury rate is not decreasing. Industry segmentation, focus firms, and inspections are some of the strategies WorkSafeBC is bringing to bear on the injury rate.

Even with a lower injury rate, the financial and human impact will remain high unless the severity of injuries decreases. Severe injuries have persisted in some sectors, yet investigations confirm that the number of serious incidents and injuries can be reduced through greater compliance with safe work procedures and attention to human factors such as fatigue. WorkSafeBC will continue to reinforce compliance through enforcement, education, and consultation.

The length of an injury-related work absence generally increases with the severity of the injury, and a long absence from the workplace can contribute to permanent disability. Therefore, WorkSafeBC's Case Management and Vocational Rehabilitation departments will continue to focus on early and safe return to work in an effort to limit worker disability.

Occupational and environmental diseases

There has been a significant increase in fatality claims from exposure to disease agents. This trend is due, in part, to greater recognition of occupational diseases, improved detection, and increased reporting. Newly emerging and expanding occupational diseases could significantly affect claim volume and costs, as well as add to WorkSafeBC's adjudicative and administrative complexity.

Past exposure to asbestos continues to debilitate workers, and research indicates that not all detected work-related asbestos diseases are reported, nor are they always attributed to work causes. Research also indicates that many other cancers may be work related. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration.

Both research literature and other workers' compensation jurisdictions have raised concerns about occupational diseases such as occupationally induced or aggravated asthma, multiple chemical sensitivity, and resistant forms of diseases like tuberculosis. New substances being used in workplaces, such as nanoscale particle, may have negative health effects in the long term.

Continued research will likely confirm that many other work and environmental agents are factors in disease, and this research will help to mitigate the risks of exposure in the workplace. As private disability plans and public health care systems continue to experience growing costs, and as WorkSafeBC continues to receive increased claims for occupational disease, the need to effectively attribute work-related disease becomes an urgent issue. Where possible, WorkSafeBC will inform workers and employers of the risk of work-related disease.

Capacity and access in the health care system

Continued wait times in the health care system increase the human, societal, and financial costs of work-related injury. While WorkSafeBC prefers to use the public health care system whenever possible, it also helps workers access expedited health care through private health care facilities. WorkSafeBC is collaborating with the University of British Columbia's Centre for Health Services and Policy Research to examine recovery and return-to-work outcomes using the private system, to ensure it continues to be beneficial.

To help determine the effectiveness of treatment provided by its external health care partners, WorkSafeBC monitors the success and satisfaction of participants in work conditioning and occupational rehabilitation programs. In addition, WorkSafeBC quality assurance supervisors oversee the network of health care providers, regularly visiting external sites to help ensure compliance with WorkSafeBC standards. WorkSafeBC also conducts retrospective audits throughout the year to ensure fiscal accountability and appropriate provision of clinical care.

Internal factors

Reorganization and staffing

In 2004, WorkSafeBC began to realign departments in order to improve service and address the demands of an increasing volume of claims. These new departments became fully operational in 2006. A top priority was to address the increase in injuries and fatalities in the forestry sector. In addition to partnering with the B.C. Forest Safety Council, occupational safety officers were diverted from other tasks and new staff were hired to conduct an inspection blitz of more than 300 forest industry worksites. This initiative resulted in more than 600 compliance orders for violations of the *Workers Compensation Act* and the Occupational Health and Safety Regulation. Fatalities in the forest industry — still unacceptable — dropped from 51 in 2005 to 22 in 2006.[79]

Volume pressures, largely based on a significant and unanticipated increase in economic activity, employment, and subsequent demands on WorkSafeBC, have required strategic investment in additional human resources. Adjustments in staffing to meet economic growth as well as operational needs, development of new systems, and emerging issues have continued to pose challenges for WorkSafeBC.

Through an active recruitment program, including its first-ever job fair to attract qualified candidates, and aggressive staffing of existing and new vacancies, WorkSafeBC increased its net complement by 141 staff over 2005 levels. WorkSafeBC's active staff complement (as of December 31, 2006) includes 2,614 full-time and 89 part-time staff, with another 40 employees involved in job-sharing arrangements.[80]

Risk management, business continuity, and succession planning

WorkSafeBC's strategic framework mandates annual reviews of the risks the organization faces.

In 2006, WorkSafeBC focused on its emergency response to the threat of infectious disease outbreaks such as SARS and the threat of a global pandemic. To prepare for any infectious disease outbreaks, WorkSafeBC, like every employer, has a duty to assess the risks and implement strategies to protect its workers. As a regulator and prevention agency, WorkSafeBC also has a responsibility to inform workers and employers of their duties, rights, and obligations in the face of such threats. Through participation in international and provincial committees, WorkSafeBC seeks to bring best practices into its own planning processes.

Other WorkSafeBC planning processes include documentation of systems, backup training, and succession planning — including an analysis of retirement patterns and identification of jobs that are vulnerable because they rely on the specialized knowledge or skill of one individual. WorkSafeBC is also reviewing its recruitment, retention, and post-retirement re-hiring practices to address acute skill shortages for vacation coverage and other transitional contingencies.

Information technology and systems

WorkSafeBC relies on its information technology to successfully fulfill its mandate. Security of personal records, reliability of data, and robustness of systems are essential to operations; failures in security or technology pose a significant risk to WorkSafeBC and its stakeholders.

In 2006, WorkSafeBC continued to develop its infrastructure, through such initiatives as mobile resources for prevention officers and the complex systems used by the new Teleclaim centre rolled out on Vancouver Island.

WorkSafeBC continued to invest in technology that will support more efficient claim management and will contribute to more

timely research; the research will detect trends and improve the focus and effectiveness of prevention activities.

Claims Management Solutions

WorkSafeBC's Board of Directors committed significant capital to create the Claims Management Solutions program. Planned for launch in early 2008, the system aims to automate and enhance claim management processes and service capability; it also aims to reduce administrative and claim costs. The program is designed to provide greater capability and flexibility for delivering service through multiple channels, and more consistent case management to improve the quality and credibility of information provided to injured workers.

The projected financial benefits of the new claim management program include an internal rate of return of 35 percent, a payback period of 2.7 years from the date of implementation, and a net present value of $150 million. In 2006, an independent consultant concluded that the project was sound and the goals were achievable within the proposed time frame and budget. WorkSafeBC is working with Curam and the Workplace Safety and Insurance Board of Ontario to develop solutions that integrate workflow and decision making into a comprehensive system.

The utility of the final Claims Management Solutions program and its acceptance by users will be critical to the success of the project. To that end, WorkSafeBC staff members are involved in the system's development and receive regular updates on the status of the project.

Privacy and fraud safeguards

Fraud — both internal and external — and illegal or unauthorized activities are significant risks in any insurance-based enterprise. As guardians of sensitive information, the officers of WorkSafeBC hold an important position of trust with their stakeholders.

Any threat to that trust or to the integrity of the system is taken seriously. To safeguard internal systems, there are audit trails and security mechanisms to guard against inadvertent or intentional release of information. As well, staff are made aware of their responsibilities. In 2006, all portable staff computers were equipped with data-encryption technology to further secure the privacy of information.

Full reporting of payroll and injuries remains a cornerstone of our system. Each employer is required to register with WorkSafeBC, accurately report payroll, and ensure that all work injuries and serious incidents are reported in a timely manner. Workers have specific obligations as well: to report injuries, to refrain from engaging in unsafe work practices, and, if injured, to engage in rehabilitation and return to work when it's safe to do so. Audit and investigation processes are in place to ensure all parties are participating effectively in our system. In addition, in 2006 WorkSafeBC entered into an agreement with the Canada Revenue Agency to ensure that B.C. employers are registered with WorkSafeBC.[3]

Teleclaim

In 2006, WorkSafeBC introduced Teleclaim, a new service centre that injured workers can call to report injuries and receive personal assistance to help them with their recovery and return to work. Teleclaim is designed to meet the top service priorities identified by workers through WorkSafeBC's Voice of the Customer (VOC) program (see below for more information), and streamline injury reporting, disability management services, and the processing of wage-loss payments. Teleclaim aims to eliminate much of the frustration and anxiety associated with a paper-based system and facilitate early return-to-work planning. The service was introduced on Vancouver Island in October 2006 and is set to be rolled out to the rest of the province throughout 2007.

Voice of the Customer

Part of WorkSafeBC's vision for 2010 is to become an organization known for outstanding customer service. But WorkSafeBC needs to understand customer needs before it can meet those needs. To develop this knowledge, WorkSafeBC has partnered with Synovate, a market research company, to develop the Voice of the Customer program — a new stakeholder feedback strategy designed to identify and prioritize the areas of service that are most important to workers and employers. Through the use of surveys and focus groups, the VOC program allows WorkSafeBC to identify and measure the critical interactions or "touch points" that drive stakeholders' perceptions of WorkSafeBC. As a result, WorkSafeBC is better able to align its business decisions with worker and employer needs and improve service across all areas of the organization.

Senior Executive Committee

David Anderson
President and Chief Executive Officer

Steve Barnett
Vice-President, Claims Management Solutions Division, and Assistant Chief Financial Officer

Ed Bates
General Counsel

Vaughan Bowser
Vice-President, Human Resources and Facilities Division

Brian Cooper
Chief Information Officer

Roberta Ellis
Vice-President, Policy, Investigations, and Review Divisions

Sidney Fattedad
Vice-President, Finance, Information Services, and Stakeholder Relations Division, and Chief Financial Officer

Diana Miles
Vice-President, Worker and Employer Services Division

Ian Munroe
Executive Director, Worker and Employer Services, Operations

Betty Pirs
Executive Director, Worker and Employer Services, Prevention

Online viewing

For an electronic copy of this report, visit our web site at WorkSafeBC.com.

Feedback

To comment on WorkSafeBC's *2006 Annual Report and 2007–2009 Service Plan*, telephone Scott McCloy, Director of Communications, at 604 276-3113 or e-mail scott.mccloy@worksafebc.com.

Endnotes

1. Includes fatalities in subsector 7030 (Helicopter Logging), subsector 7040 (Wood Mills), CU 732024 (Log Towing), and CU 732034 (Log Hauling).

2. WorkSafeBC accepted 160 fatality claims in 2006.

3. For an online overview of the WorkSafeBC Board of Directors' Health and Safety Initiative, visit www.worksafebc.com/about_us/governance. BoD initiative default.asp. The document *From Awareness to Action: Building a Better System for the Future*, Summary and Conclusions, is available at www.worksafebc.com/about_us/governance/BoD_initiative/assets/pdf/summary_conclusion.pdf.

4. Results of performance indicators include data up to March 9, 2007.

5. The 11 key performance indicators contained in this report have been used as a group since 2003, but most have existed for much longer and can be found in WorkSafeBC annual reports going back 10 years or more.

6. A reduction in the injury rate of just 1 percent (from 3.09 to 3.06, for example) translates to approximately 600 fewer workers who suffer time-loss injuries. That is $10 million less in claim costs paid, and approximately 28,000 productive work days gained to the economy.

7. Barling, Julian and Rick Iverson. "The Current Culture of Workplace Injury." Presentation, 2005 Public Forum: Our Jobs, Our Lives, Vancouver, B.C., July 24–27, 2005. The presentation provided an overview of public attitudes and beliefs about workplace injury as indicated by an Ipsos Reid survey, conducted for WorkSafeBC and the Association of Workers' Compensation Boards of Canada, comprising random telephone interviews with 1,000 Canadians. Available online at www.awcbc.org/publication2005-PDFs_IversonBarling.pdf.

8. At November 2006.

9. The contribution of low-duration injuries to the overall injury rate has increased 0.93 points, from 0.80 in 2005 to 0.83 in 2006, due to an increase in the percentage of low-duration claims from an estimated 26 percent in 2005 to an estimated 27 percent in 2006. If low-duration claims were excluded from the calculation, the injury rate would have remained flat at 2.29.

10. The injury rate in 1996 was 4.5.

11. Serious injury figures have a six-month lag. This figure represents May 2006 over May 2005.

12. At November 2006.

13. Serious injury figures have a six-month lag. This figure represents May 2006 over May 2005.

14. To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including 1) the number of days paid in the reference year for STD injuries that occurred in the reference year, divided by the number of STD injuries that occurred in the reference year, and 2) the number of days paid in the reference year for STD injuries that occurred in the year prior to the reference year, divided by the number of STD injuries that occurred in the year prior to the reference year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components in respect to days paid in the reference year for injuries that occurred more than four years prior to the reference year. Days arising from short-term disability payments are included in the calculation; days arising from rehabilitation payments are excluded.

15. This result is based on a sample of 300 injured workers who were either paid wage-loss or vocational rehabilitation benefits or whose claims were disallowed between August 1 and October 31, 2006. The survey was conducted between November 27 and December 6, 2006. The margin of error is +/– 5.6 percent, 19 times out of 20.

16. The results are based on responses from 400 employers, contacted between October 2 and 11, 2006, drawn from a total sample population of 5,518 employers. The total margin of error was +/– 4.7 percent, 19 times out of 20. The population of employers used for randomized polling includes all employers who have registered at least two short-term disability wage-loss or fatal claims in the previous 12 months.

17. Firms that receive account management services are not necessarily selected for the program because of their size, but because they are deemed most likely to benefit from the personalized attention. Some of these firms have high claim costs and injury rates, while others have high experience-rating surcharges or challenges with their return-to-work programs.

18. Source: Statistics Canada Labour Force Historical Review 2006 CD Catalogue 71F0004XCB; CD1: Table: CD1Tb5an.

19. Compensation benefits are, by legislation, indexed to the increase in the consumer price index (CPI) less 1 percent. WorkSafeBC aims for investment returns at an average rate of 3.5 percent above the increase in the CPI.

20. WorkSafeBC uses the smoothed approach for funding decisions only; fair value accounting is applied for financial reporting purposes.

21. Since WorkSafeBC's premiums are collected in arrears, the actual final collected amount resulting from the mix of industries and their relative payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2005 and previous years reflects the actual final collected rate. The rate shown for 2006 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives. For more information, refer to "Supplementary information," page 33.

22. In accordance with the standard AWCBC method of calculation, WorkSafeBC does not include administration costs associated with prevention, treasury, investments, legal and recoveries, third-party recoveries, grants and awards, reviews and appeals, workers' and employers' advisers, assessing physicians, external medical service providers, and costs related to self-insured employers. WorkSafeBC also excludes non-recurring one-time costs in order to keep results comparable with previous years. The largest material cost of these items is prevention costs, which were $0.07 per $100 of assessable payroll in 2006.

23. Issues decided at the Review and WCAT levels are generally categorized into larger groups related to specific sections of the *Workers Compensation Act*.

24. The employment growth statistic is based on person-years of WorkSafeBC covered employment for rateable classes of employers, which is derived from Statistics Canada data.

25. These costs include wage-loss benefits, survivor benefits, health care expenses, and vocational rehabilitation costs, as well as a provision for the administration cost of future claims required to adjudicate and process future payments. These liabilities are actuarially calculated by applying a net discount rate of 3.5 percent (net of CPI growth) to produce a present value of estimated future benefit payments. The liability is thus increased each year by 3.5 percent plus CPI growth, and so in 2006 the liabilities of WorkSafeBC increased by 3.5 percent plus 0.9 percent, for a total of 4.4 percent (before other adjustments).

26. Simulations are generated using Monte Carlo statistical techniques, which involve modelling the output of a mathematical process using random sample inputs.

27. Based on Statistics Canada's Labour Force Survey for January 2005 and January 2007, which quotes seasonally adjusted December labour force estimates for 2004 and 2006.

28. In May 2006, the B.C. provincial government announced the creation of SafeBC, a multi-partner initiative designed to prevent injuries and ultimately make B.C. the safest province in Canada.

29. Includes fatalities in subsector 7030 (Helicopter Logging), subsector 7040 (Wood Mills), CU 732024 (Log Towing), and CU 732034 (Log Hauling).

30. "Active staff" complement includes all permanent and temporary full-time, part-time, and job-sharing employees, but excludes employees on extended absences for care and nurturing, maternal/parental leave, self-funded leave, long-term disability, work-related injuries, secondments, and leaves of absence.

31. The agreement enables WorkSafeBC and the Canada Revenue Agency to exchange business information such as contact details and payroll figures for firms in B.C. This way, WorkSafeBC can identify firms that have not registered and inform them of their legal requirement to do so.

Demand Safety

Workplace health and safety is everyone's responsibility

All workers are entitled to safe and healthy work environments where hazards are properly minimized and controlled. Under the B.C. *Workers Compensation Act*, the primary responsibility for workplace health and safety rests with employers; but workers, supervisors, and other stakeholders have an important part to play as well. The key to maintaining a safe and healthy workplace lies in joint action — everyone working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained.
- Keep written records of training: who, what, when.
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents.
- Immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment where required.

Supervisor responsibilities

- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements.
- Correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow the health and safety requirements affecting your job.
- Use all safety gear and protective clothing when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin work.
- Always work safely and encourage your co-workers to do the same.
- Immediately correct unsafe conditions or report them right away to your employer.
- Immediately report any injury to a first aid attendant or supervisor.
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

For more information

If you have questions about workplace health and safety issues, call the WorkSafeBC Prevention Line at 604 276-3100 or toll-free at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find a variety of occupational health and safety resources that can be downloaded free of charge. You can also purchase a number of safety publications and DVDs by visiting our online web store at www.worksafebcstore.com.

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